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ABSTRACT

The impact of changing conditions in higher education on state higher or postsecondary education agencies, and the issues facing such boards were examined in a project that also reviewed systems of coordination, governance, and structure. Existing structures were analyzed, especially their strengths and weaknesses in addressing stresses and problems expected in the next decade. After an introduction to the report, chapters are devoted to these topics: issues and recommendations for statewide planning in the 1980's; evaluation and appraisal at the state level (state authorization for institutional operation, institutional accreditation, systems of accountability, evaluation of state agencies); program review (new and existing programs, support for program review, coordination of state and institutional review, benefits and limitations); state management and higher education (restrictions, management of student aid programs, administration of federal programs, management burdens on institutions, and expectations of state higher education executive officers); and financing and budgeting in higher education (possibilities for pessimism or optimism, state budgeting trends and issues, the state role in the budget process, current budget roles of state agencies, and relationship of budget and finance to major higher education issues). Among the conclusions are that educational quality, public demand for accountability, issues of social justice, coping with inflation, and interinstitutional cooperation will be priorities of the decade. (MSE)

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Challenge: Coordination and Governance in the '80s

A Report on Issues and Directions in Statewide Coordination and Governance of Postsecondary Education in the 1980s

U.S. DEPARTMENT OF HEALTH,
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Education Commission of the States
Denver, Colorado
Warren G. Hill, Executive Director

July 1980

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Preface

In the spring of 1978 the Department of Postsecondary Education of the Education Commission of the States (ECS) under a grant provided by the Ford Foundation initiated a project in cooperation with the State Higher Education Executive Officers (SHEEO) on Development of Policy Recommendations on Alternate Forms of Statewide Coordination and Governance for the Decade of the 1980s. In the project the commission utilized the assistance of a technical advisory panel composed of six authorities in the field of higher and postsecondary education* particularly knowledgeable in relation to issues of state coordination and governance. The panel was involved in all aspects of the project through its development — identifying problems, outlining issues, and supervising and structuring the report.

The purpose of the project was to examine the impact of changing conditions in postsecondary education on state higher or postsecondary education agencies and the issues such boards will face. It also was to provide a new and objective review of systems of coordination, governance and structure. The approach entailed analysis of existing structures in terms of strengths and weaknesses in addressing the new stresses and problems expected in the 1980s.

The project focused on the major functions performed by state agencies: planning, program review and approval, evaluation, policy making, and budget review and recommendation. It was concerned not only with what powers boards have but also with how they are exercised. Recommendations as reflected in the report are intended to suggest ways that states may deal more effectively with the problems facing postsecondary education in the decade of the '80s through the functions that are appropriate to state-level agencies. The project also was concerned with the relations of institutional responsibilities and state-level functions in planning, program review and budget development. While we recognize the importance of state-federal relations and the fact that federal activities will have impact on the states and may modify state procedures and concerns, this report is primarily concerned with state and institutionally initiated activities.

This report, which is a culmination of the activities resulting from the project, updates and extends ECS's 1973 coordination, governance and structure study *Coordination or Chaos?* John K. Folger, associate executive director, Policy and Planning, and Richard M. Millard, director, Department of Postsecondary Education, Education Commission of the States, were primarily responsible for the development of the current project and its report. In developing the report, the commission utilized two other groups in addition to the technical advisory panel. It incorporated suggestions for additions, changes and revisions from the criticism and review of 10 distinguished leaders in areas of higher education institutional administration, state government, business and higher education disciplines. It also enlisted 12 state higher education executive officers to serve as reviewers and consultants.

Those contributing to the actual drafting of the report included John Folger,

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***In this report higher education and postsecondary education are used interchangeably.**

Martha Kaufman, John Lee and Richard Millard. Special acknowledgment should go to Martha Kaufman, who edited the original drafts and supervised the revisions in the report in its various stages, and to John Lee, who served as project manager in its early stages. Such acknowledgment should also be extended to Melodye Bush for her assistance in manuscript preparation.

We are particularly grateful to the Ford Foundation for making this project and report possible. The views expressed in the report do not necessarily reflect those of the Ford Foundation but have been developed in the process of the project itself.

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Conclusions and Recommendations

New difficulties and challenges for postsecondary education

The different context and the changing set of problems facing postsecondary education in the 1980s will present new difficulties and challenges for institutions, for state coordinating or governing boards and agencies and for executive and legislative branches of state government. As states continue to make postsecondary education available for citizens capable of benefiting from it, they will encounter the pressures of variable student enrollment, shifting job opportunities for college graduates, greater consumer concern and limited financial resources, all accompanied by increased costs. Given these pressures, conflicts are likely to occur among state government, institutions and individuals.

Under such conditions state coordinating and governing boards and agencies become more vital and vulnerable. Responsibilities that emerged during the period of expansion probably will increase. If the agencies and boards are unable to meet the new needs, executive and legislative branches of state government may assume these necessary functions.

Continuity of functions for state agencies

State higher education agencies vary substantially in responsibilities, authority, formal structure and staffing. No single model for state agencies has emerged, although small states are more likely to have a single statewide governing board for public institutions while larger states, with more complex systems of postsecondary institutions, are more likely to have a coordinating board. Despite the variety of structures, there are similar functions that must be performed if states are to give policy guidance to postsecondary education and are to deal effectively with the problems and issues that will arise during the 1980s. These include responsive planning, budget review and recommendations that relate resource allocation to state program and policy objectives, program evaluation and approval, institutional licensure and approval, and development of policy recommendations for adequate provision of postsecondary opportunities to the citizens.

This report examines the outlook for the 1980s in major areas of coordination and governance of postsecondary education. Several important themes recur in the discussion:

Educational quality

- *Educational quality* will be a primary concern that will be reflected in planning, in authorization, in institutional evaluation, in program review of new and existing programs and in financing and budgeting of postsecondary education.

Accountability

- Public demand for *accountability* will require state goals for higher education that serve planning and accountability objectives, that provide for evaluation and appraisal of institutions and programs and possibly the statewide postsecondary board or agency itself, and that establish effective program and management accountability for the use of resources.

Social justice

- Issues of *social justice*, such as affirmative action and access and retention

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of minorities, will continue to be important in the 1980s, especially relating to planning and to fiscal concerns for these needs.

Inflation and limited resources

- The squeeze of *inflation and limited resources* will have major impact on all the areas of coordination and governance from planning to program review of new and existing programs to finance and budget.

Need for cooperation

- There will be a need for more *cooperation* among all public and independent sectors involved in postsecondary education within the state to avoid wasteful duplication and to make better use of resources.

In view of the problems and conditions expected in postsecondary education in this decade, state governments and institutions should reinforce and cooperate with the boards and agencies charged with coordination and governance. The powers of these agencies ought to be commensurate with their responsibilities. Following are the principal conclusions and recommendations of the respective chapters of the report:

A. *Planning*

The planning process should be flexible, should include all segments of postsecondary education and should be continuously updated. Setting priorities and reallocating funds in the light of such priorities should be an essential part of the planning process.

Legislative authorization to strengthen planning

1. Planning for changing conditions should begin as soon as possible — particularly in relation to possible retrenchment, including closings or mergers and changes in missions. *If legislative authorization is necessary through change in the functions and processes of existing boards or agencies to strengthen such planning, it should be considered immediately.* Planning should involve basic reassessment of the goals and objectives of postsecondary education in the state in light of changing circumstances and issues. Visible and agreed upon methods for assessment of progress in achieving goals and objectives must be developed; information systems need to measure achievement of objectives. Institutional leaders and faculty should participate in planning for program and mission changes. Understanding and involvement by the executive and legislative branches of state government and their staffs also will be essential for carrying out consolidation, development of new roles and modification of missions of public colleges and universities.

Comprehensive planning

2. Comprehensive planning adjusted annually to changing conditions is likely to be more effective than a master plan that is revised every 5 to 10 years. *Comprehensive planning should combine long-range and short-range planning (or strategic and tactical planning) in a process led by the state postsecondary or higher education agency.* In such planning, experts from the postsecondary institutions and from other states can be helpful. For acceptance and implementation of the planning process, involvement of the institutions and of the political and academic communities is essential.

- States that have not done long-range planning should initiate a process of continuous comprehensive planning immediately to reduce the number of ad hoc inadequate decisions made during times of crisis.

Role and scope or mission

- Planning for decreasing or variable enrollments, retrenchment and change in *role and scope or mission* should be based on objective criteria rather than a priori judgments or political concerns. Consolidation, demise or retrenchment of institutions and programs should not result in universal mediocrity but in reinforcement of quality regardless of level or type of institution or program.

- Policy in relation to independent institutions should be explicit, including the manner and conditions by which the state provides or does not provide aid for independent institutions. If a state does not have such a policy, it ought to develop one with the involvement of both the independent and public sectors.
- State planning should resist pressure to increase centralization of management and detailed regulation of institutions. The results of planning must be developed as clearly formulated policy, criteria and parameters so that institutions continue to have flexibility in management of internal operations.
- Planning must be integrally related to budget development to be effective.
- Planning should take into account the interstate and regional opportunities for program coordination and cooperation.

Planning for special needs

3. *Planning should consider the special needs of all students, including part-time students, adults, minorities and women.* These special groups will play a progressively larger role in the postsecondary education scene. Planning should provide for the coordination and mutual reinforcement among institutional activities and efforts to meet the needs of such students, including reallocation of scarce dollars if necessary.

- The state through its postsecondary agency has a responsibility to serve as a catalyst to bring more order and higher standards into adult education. A statewide plan for cooperative development of lifelong learning opportunities needs to include inventories of programs and assessment of their quality.
- Statewide planning for special groups should be developed as a participatory process. It should involve all the clients and employer groups — such as business, industry, labor, social agencies, community agencies and libraries — and should include vocational and occupational education along with professional education and elementary/secondary education.

B. *Evaluation and Appraisal*

State concern with quality

States should strengthen their concern with qualitative issues and with assessment in postsecondary education and should relate qualitative evaluation and appraisal to planning, program review and budgetary allocation. State concern with quality is multidimensional and should involve: (1) basic consumer protection through *authorization or licensure of institutions to operate and grant degrees*, (2) *review of institutional role and missions** to insure that state goals and objectives are being met, (3) *review of new and existing programs*** based on objective and qualitative criteria, (4) *institutional evaluation in the context of accountability and statewide planning* and (5) *periodic evaluation of the effectiveness of the state higher education agency.* When feasible and possible, particularly in institutional evaluation, states should explore cooperation with voluntary accrediting agencies and utilization of the criteria and results of such accreditation.

Policy considerations for state authorization of institutions to operate

1. The following are *essential policy considerations for state authorization of institutions to operate:*

- Each state has a fundamental obligation to students, to institutions and to the general public for the oversight of all education within its borders —

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*See p. xii.
**See p. xv.

including prevention of fraud and abuse and submarginal institutional operations.

- Standards for educational operation should be high enough to assure citizens and the state and federal governments that all programs — public, independent and proprietary, operated by institutions in- or out-of-state — provide students a legitimate educational opportunity. These standards must allow for a wide range of institutional and program diversity and innovation.
- The standards adopted by the states for authorization should be at least equivalent to the guidelines provided in the model legislation developed and approved by the Education Commission of the States (ECS) in 1973.
- Responsibilities for authorizing postsecondary institutions to operate ideally should be placed in one office, agency, board or commission within the state and that agency should be adequately funded to carry out its responsibilities. However, where two or more agencies have such responsibilities, effective liaison and communication among the agencies is essential to insure consistency and common policy development.
- Because of the rapid growth of off-campus and out-of-state operations, the conditions of authorization should be applied both to home-campus and to off-campus and out-of-state activities of institutions. Where state authorization standards are comparable, reciprocity arrangements for off-campus activities may be appropriate.
- If a state accepts accreditation by a national or regional accrediting agency recognized by the U.S. Office of Education as evidence of compliance with its own standards, it should require evidence that such accreditation is at least equivalent to its own standards for authorization. In the case of an out-of-state institution, the out-of-state operation should be assessed by the accrediting agency as qualitatively equivalent to the home-campus operation.

Cooperation between state evaluation and voluntary institutional accreditation

2. *It is advantageous for state evaluation and voluntary institutional accreditation to work cooperatively within their complementary but different objectives.* State evaluation is more clearly related to institutional functions within the system of postsecondary education in the state whereas private accreditation is specifically directed to institutional self-improvement. Neither can wholly substitute for the other.

ECS recommendations on accountability

3. *States should consider the ECS Task Force 1979 recommendations on accountability:* (1) Each state should provide for the accountability of higher education by a process of goal setting, evaluation of progress toward statewide goals and reporting on progress or lack of progress; (2) the accountability process should include assessment of state actions along with assessment of institutional actions; (3) statewide educational goals should be developed; (4) procedures for periodic assessment of progress should be established; (5) provision should be made for a reporting of results of the assessment to the governor, legislature, education officials and the general public; (6) states should provide adequate rewards or incentives to encourage achievement of goals; and (7) responsibility for the accountability should be clearly designated. To the extent that independent institutions receive state funds or participate in the planning or goal-setting process, such an accountability system should apply to them as well.

Accountability of the state agency

4. *The state agency, whether a coordinating or governing board, should also be held accountable and should periodically be assessed in terms of its achievement of objectives.* A preferred procedure may be establishment on a regular basis of an evaluation committee composed of laymen and experts

from the field. It is crucial, however, that the evaluating body is chosen carefully with knowledgeability and objectivity as the prime criteria.

C. *Program Review*
With variable enrollments and fiscal stringency, review of existing as well as review of new programs will become progressively important. In some states program review needs to be strengthened and related to the entire planning, budgeting and coordinating process. A fragmented and ad hoc approach will not be helpful in protecting educational values in a period of decline.

Need to strengthen and coordinate program review

1. *Program review can help to keep postsecondary education vital by encouraging curtailment or closure of programs that no longer serve student needs and by helping the development of needed new programs.* Effective program review must involve both the state higher education agencies and the institutions and combine institutional and statewide perspectives. It should be clearly related to institutional missions.

Flexibility for program review

- For the 1980s proposals for new programs should be carefully developed by the institutions and their planning staffs with special attention to needs, costs and resource reallocation. The state agency should relate program review to state as well as to institutional objectives and thus to the planning process.
- Review of existing programs, which will receive increased attention during this decade, should incorporate both qualitative and quantitative dimensions of student need, program duplication and program effectiveness. In light of the deeply engrained reliance in the academic community on peer group evaluation for qualitative judgments, where feasible and possible, careful use of outside consultants should be considered.

2. *Program review needs to be developed through the participation of institutions and their faculty and of the statewide higher education agency and with the cooperative reinforcement of the legislative and executive branches of state government.* The importance of a state perspective does not mean that the state should carry out academic program review unilaterally. Institutional and faculty cooperation is essential to the integrity of the review process and to the coordination of state and institutional efforts.

Participation and cooperative reinforcement in program review

- The criteria for program review should be developed jointly by state higher education agencies and institutions. Criteria should be thoroughly understood by administrators, faculty and other interested parties including the executive and legislative branches of state government. The process should be as objective as possible and include conditions for appeal and review.
- When possible, independent institutions should be given the opportunity and should be encouraged to participate voluntarily in the program review process.
- Program review should be based on the premise that it is a way to enhance the quality of education as well as a way of controlling costs. However, program review is limited by costs, so careful consideration must be given to a credible process for the selection of programs for review.

D. *State Management and Higher Education*
Where there are clear state guidelines and where role and scope have been effectively determined, institutions should have major responsibility for management of internal affairs and should be held accountable for the results. Increased centralization does not assure reduced costs, and it may lead to

Institutional management responsibility

greater rigidity of decision making and reduction of institutional diversity. State responsibility for postsecondary education can be realized without increasing state management.

State agency functions

1. *States can improve service and reach educational goals through a combination of planning, budgeting and program review, which in most cases is preferable to an increase in management.* However, states will need to operate certain statewide functions, such as state student aid programs. States either through the coordinating agency or scholarship commission should take management responsibility for the operation of the student aid programs and the related support programs.

Operation of student aid programs by coordinating agency

2. *In general, it may be preferable to operate student aid programs out of the state coordinating agency to insure that funds are being coordinated as well as possible for reaching state goals.* In some governing board states, it would appear that a separate student aid commission might be the best resolution, because a governing board represents the interests of one sector of higher education in the state.

- To the degree that states need more information for improved state administration, it is necessary for state agencies to work with institutions to insure that there is appropriate understanding on both sides of the views and needs of the other.
- Any pressure on states by legislators to increase direct management of higher education in the state in order to control costs should be resisted.

E. *Financing and Budgeting*

Realistic budget procedures

1. *Since inflation probably will be the biggest threat to the effective funding and operation of postsecondary education in this decade, the states should develop budget procedures and budget adjustments that realistically reflect the marginal cost of enrollment fluctuations.* States that have not already done so should develop funding formulas and other procedures that take account of fixed costs that continue when enrollments decrease but that do not overly protect institutions from the operation of market influences (student choice).

- Where possible, states should plan for and provide incentives for the achievement of qualitative improvement goals. Funding for qualitative improvement should be directed toward specific objectives to maximize the likelihood of continuing political support. Funding must be provided on a continuing basis to be effective.
- States with an independent sector need to consider the funding mechanisms (student aid, tuition equalization grants, direct contracts) necessary to maintain a viable independent sector. This does not mean that every independent institution should be assured that it can continue but it should minimize the disadvantage of the independent institutions with higher tuition in competing for students.

Complementary budget review function for state agencies

2. *State higher education agencies should seek a budget review function that is complementary with rather than redundant of or competitive with legislative and executive budget processes.* Among the budget functions that state agencies are uniquely qualified to perform are to (1) conduct special studies and analyses of budget issues and (2) review the budget for conformity to master plan objectives and role and mission allocations for each institution. In states where the higher education agency has both credibility and expertise, the agency can take a leading role in the budget

review function, coordinating its review with that of the state budget office and legislature.

3. *The states can help improve internal institutional management by eliminating detailed state-level management controls, which seldom promote institutional effectiveness. At the same time, state procedures for accountability should be improved to provide public assurance that institutions are meeting reasonable standards of effectiveness.*

Elimination of detailed state-level management

4. *State coordinating and governing boards or agencies should assume the primary responsibility for linking evaluation and planning activities to the budget process.* An accountability system related to the budget process can be a means for communicating about budget needs without centralized management. This may involve introduction of criteria and elements into the budget process that reflect the qualitative aspects of postsecondary education programs or that include board or agency review and comment about the relation of budget requests to quality.

Linking evaluation and planning to budget

These recommendations for improving the functions of statewide coordination are generally as appropriate for states with governing boards as for states with coordinating boards. They also are as appropriate for states that will develop a substantial overcapacity in programs in the 1980s as for states where some enrollment growth may occur.

It is important that legislators and governors recognize that the changed conditions of the 1980s do not suggest that all states need to develop a new structural model. However, the conditions do suggest that states need agencies that can perform their functions more effectively. Agencies also need to have a scope of responsibilities and functions that is broad enough to allow them to plan and to recommend, or to provide, policy guidelines for the effective operation and development of postsecondary education during the difficult years ahead. The functions of coordination are interrelated, so the state agency must have the necessary authority to deal with its responsibilities. For example, a state agency with authority for planning but without a role in budget or program approval will have no means of implementing its plan; thus the planning process probably will be ignored.

Interrelationship of state agency functions

There are between a fourth and a third of the states where the state agency has inadequate functional authority to develop effective state policies and plans to guide postsecondary development. Either it is an advisory body with neither the legal nor informal influence to implement its recommendations, or it has a scope of authority that is limited to a single sector — such as public four-year and graduate programs — and excludes other important sectors in the state. These states should review their expectations for the overall guidance and policy making for higher education during this decade. They should consider changing the role and functions of the state agency to bring it in line with political expectations or, if necessary, creating a new agency with the needed scope and authority.

In states where agencies have the necessary functional authority, the agencies must also develop the required educational and political relationships to insure their credibility and effectiveness. Educational planning and policy making necessarily are processes that involve the participation of both political and education leaders.

In the 1980s, as compared with the 1960s and 1970s, it will be more difficult to obtain a consensus among educators and politicians about the direction the

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state should take in postsecondary education and about the means of achieving it. For statewide agencies the greatest challenge of the 1980s is whether they can do the planning and develop the policy framework that will guide postsecondary education through the difficult environment of this decade.

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I. Introduction: Coordination and Governance in an Era of Limits

A. Introduction

America is entering an era of limits on energy, growth, taxes and governmental operations. The public is becoming aware of these limits but in many areas is having difficulty in accepting them. The changing conditions will require new and adaptive ways of thinking and of solving problems, including new requirements for postsecondary education. This changed environment has dampened the traditional optimism with which Americans have viewed the future. Opinion polls indicated for many years the belief of the American people that things would be better for them in the future. In the early 1970s the national optimism about the future shifted, and for the first time a majority of the people indicated that the future may not be as good as the present. Attitudes about the future already are affecting American politics, the economy and education and will continue to affect the society in the years to come.

Altered environment for higher education

The many changed conditions of the 1980s — including declining enrollment for many institutions, more limited increases in appropriations, inflation, accountability demands and increased political involvement — constitute an altered environment impacting the future of higher education. These new conditions have implications for the state role in higher education, including actions of the legislature, the governor and, in nearly all states, a state higher education agency. For the state agencies, especially, the challenges presented during this decade of limits will be difficult and will require more effective planning, policy making and, in some states, new approaches to coordination and governance.

B. Changing Conditions for Higher Education in the 1980s

Shifting state agency role

During the 1960s and 1970s state higher education agencies were established in most states and gained legitimacy in a majority of states with both state officials and college and university boards and administrators. They became a focal point for state planning and policy recommendations to deal with the growth and financing of higher education. The future role of most state agencies will shift to deal with the changed environment of the 1980s. Demographic, fiscal and political influences that will affect the state higher education agencies include:

1. *Student Enrollment*

A changing and, in a majority of states, a declining student enrollment is expected.[1] Much attention has been given to the more than 15 percent overall national decline in the college age population between 1980 and 1990. The decline in this age group will be greatest in the Northeast and Midwest and smallest in the sunbelt states, where a few states (Arizona, Nevada) may have an increase. Some of the coming decade's decline in 18- to 24-year-old students will be offset by increases in adult students 25 and older and a few states may actually gain students in the 1980s. At the other extreme a few states may lose more than 25 percent of their enrollment. The composition of student bodies will also change, with more minorities, older students and part-time students.

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[1] A variety of projections of future enrollments have been made ranging from optimistic estimates that enrollment may continue to grow (see report of American Council on Education study, *Chronicle of Higher Education*, April 21, 1980, pp. 1, 11) to projection of substantial decline (see Fred E. Crossland, "Learning to Cope With a Downward Slope," paper delivered at the annual meeting of the Association of Independent Colleges and Universities, Worchester, Mass., May 8, 1980).

Enrollment fluctuations

A more important influence will be the year-to-year, institution-to-institution and field-to-field fluctuations in enrollment that will occur. Students are making major shifts in career preferences to prepare for professions and other occupations with expanding job opportunities and are less likely to choose teaching and other fields where job opportunities are less adequate.[2] Some institutions in rural areas or institutions that do not serve adult and part-time students are likely to lose far more enrollment than institutions in growing urban or suburban locations. When the economy is in recession, part-time enrollments are likely to rise; when the job market is good, part-time enrollments usually will fall. These year-to-year and field-to-field shifts in enrollment will present more problems for planners than the downward trend in enrollment that is projected for this decade. Some institutions will be severely affected by changing student preferences, while others will have the programs, prestige and location that will enable them to maintain their enrollment.[3]

Shifting job opportunities

2. *Job Opportunities for College Graduates*

Job opportunities for college graduates will continue to shift during the 1980s. Engineering, science, technology, business management and some new areas in communications are likely to have a shortage of personnel, while public sector employment may level off because public funds may not support expansion. Students will continue to direct their preferences toward those professions and disciplines that offer the best opportunities. Overall, there may be a better job market for college graduates in the 1980s than in the 1970s because the supply of new entrants each year will go down, while the total number of jobs will rise except in periods of recession.

Independent institution enrollment

3. *Student Enrollment in Independent Institutions*

After several decades of decline, the percentage of students in independent institutions seems to be stabilizing. In many states with adequate programs of student aid or tuition equalization, the independent sector of higher education may do as well as the public sector in attracting and keeping its student clientele. The intense competition among institutions for students is likely to keep tuition from rising as rapidly as it otherwise might in this decade, even though there will be great pressure for more tuition revenues in public institutions if state appropriations do not keep up with rising costs. However, independent institutions are concentrated in those states — largely in the Northeast and Midwest — where declines in enrollment are likely to be largest, so much of the independent sector may be vulnerable because of regional location.

Consumer concern

4. *Consumer Concern*

Closely related to the demand for accountability is the public's concern with quality, with the maintenance of standards and with the elimination of fraudulent and substandard institutions. Student demand for adequate information about institutions and about career options will continue and states will provide more "consumer protection" legislation for students. Institutions will be expected to deliver what they promise.

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[2] Roger L. Geiger, "The College Curriculum and the Marketplace: Academic Disciplines and the Trend Toward Vocationalism in the 1970s," Yale Higher Education Research Group Working Paper YHERG-40 (New Haven, Conn.: Institute for Social and Policy Studies, January 1980).

[3] See Crossland for one speculation about the types of institutions that will be in greatest difficulty.

5. *Increased Oversight of Institutional Management*

Increased institutional regulatory burdens

There has been an increased regulatory burden imposed on institutions to achieve social justice objectives in the equitable treatment of women, affirmative action for minorities and handicapped, and due process for everyone. The burden of litigation has multiplied in almost all institutions. The expansion of unions among both faculty and other employees has limited administrative flexibility to deal with personnel reallocation. The growth of higher education has made it more formal, impersonal and bureaucratic. Although no general shift toward greater managerial flexibility for institutions appears likely in this decade, in at least one area, retrenchment, institutions may retain the major decision-making responsibility.

6. *Changing Conditions for Faculty*

Faculty concerns

The lowered demand for graduate training in many fields and the difficulty of obtaining research support and funds for other scholarly activity are making it harder for faculty to pursue the traditional scholar/teacher role. In addition, faculty compensation has not kept pace with inflation in the past few years in many institutions. Under these conditions it will be more difficult for faculty to make colleges and universities intellectually stimulating during the 1980s.

7. *State Appropriations for Higher Education*

Financing higher education

State appropriations for higher education are not likely to grow faster than inflation in the next few years, and financing higher education will be increasingly difficult in some states and for most institutions. When the public schools stopped growing in the early 1970s, the declining enrollment provided the opportunity for a more adequate funding of elementary/secondary education on a per student basis. Between 1967 and 1977 per student expenditures in the public schools in constant dollars increased about 50 percent nationwide.[4]

The growth period of higher education has also ended, but it is unrealistic to expect the same kind of increase in state appropriations for higher education in this decade that elementary/secondary education received during the past decade. Tax relief and more limited public spending are the priorities of both governors and legislatures in some states. Even though inflation has created revenue surpluses in many states, returning some of that surplus in tax relief is a higher priority than providing larger appropriations to higher education. Fiscal austerity during a period of high inflation is likely to be the largest external influence on both public and independent higher education during the next five years.

8. *State and Federal Tax Contributions*

Students' share of costs

The state and federal share of education revenues has grown about 10 percent in the last decade, while the share contributed by students has dropped about 10 percent. This trend is primarily the result of two factors:

- A larger percentage of students are enrolled in the public sector where a student's share of costs is lower than in the independent sector.

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[4] National Center for Education Statistics, *The Condition of Education, 1979* (Washington, D.C.: Government Printing Office, 1979).

- Within the public sector, until about 1975, state appropriations per student were rising faster than tuition revenue per student in most states.

In the 1980s the students' share of costs may stabilize or even rise slightly, although the increased student aid already available can cushion the effect of tuition increases on low- and middle-income students.

Competition for tax resources

9. *Competitors for Tax Resources*

Public attitudes about high priority issues will intensify the competition at the state level for the available tax resources that might go to education. These issues include health, environmental protection, crime reduction, increased numbers of senior citizens dependent on public support and economic development programs.

Increased higher education costs

10. *Increased Costs for Higher Education*

The largest percentage increases in higher education costs in the last decade have been in areas where higher education has limited or no management control — such as employee benefits, compliance with new federal regulations and energy costs. Costs of books and scientific equipment have also risen more rapidly than general price increases. Union contracts and tenure provisions limit management's ability to reallocate personnel resources from declining to growing fields. These problems in managing resources during retrenchment are certain to continue and will probably increase during the 1980s.

Pressure for accountability

11. *Increased Demands for Accountability*

There will be increased state government pressure for accountability. The polls show that the public still believes higher education is very important, but they also show that the public is not sure that higher education is doing as good a job as it should. Legislatures are taking a much greater interest in oversight of all public institutions, including postsecondary education. There are executive and legislative pressures for greater managerial efficiency and a strong interest in both fiscal accountability and the evaluation of performance (performance accountability).

Specialized educational advocacy

12. *Specialization of Advocacy*

Advocacy for education is becoming more specialized. There are advocates for particular colleges and for particular programs — such as vocational education or tuition equalization grants for independent colleges or for medical or allied health occupations — but it is harder to find legislators or members of the public who generally advocate all aspects of education. Support for all of education requires coalitions of interest groups, which are harder to build during periods of fiscal adversity.

Increased legislative involvement

13. *Greater Involvement of Legislatures*

Legislatures in most states have become more independent, better staffed and less willing to leave management of higher education in the hands of trustees and college administrators. Legislators are also less willing to leave higher education policy to the trustees or to the executive office of state government. In a number of states a "credibility gap" has developed among the governor, legislators and the spokesmen for higher education.

These 13 influences are representative of the changed environment within which higher education will be operating during the 1980s. It is a difficult and challenging set of conditions for institutions and for the state agencies that must plan and recommend policy for their operation.

C. The State Role in Postsecondary Coordination and Governance

Variation among coordinating and governing boards

The states vary greatly in the way they coordinate and govern higher education (see Table I, p. 6). The state role has expanded in most states in the past decade either through the provision of more formal authority to a statewide board, or through a more active role by the legislature or through both. The proper state role in oversight, regulation and control of institutions and the kind of decisions that ought to be left to the institution without state-level involvement are matters of continuing debate. However, the states have become involved in more decisions that were formerly made at the institution level.

D. Impact of Limits on State Coordination and Governance

Difficulty of consensus development

College administrators, legislators and other state officials have heard about demographic, fiscal and economic issues, and variations of them, for several years. They now agree that a series of related problems exist and that higher education must make some changes to cope with them. However, they are far from consensus on what to do, who should do it or how to do it. Although the inadequacy of the old approaches is lamented at meetings of educators, state officials and legislators, the proper changes to deal with the widely discussed problems have not been agreed upon. In view of the widespread discussion of the problems, it is surprising that so few new solutions have emerged.

The present seems to be a period of jockeying for power and influence in the resolution of problems faced by higher education. Legislatures across the country have emerged in a more active role in proposing solutions to education problems and in making changes in governance and coordination arrangements. State higher education agencies also have emerged as more influential bodies in the resolution of problems and in the mediation of disputes. The tradition of leaving education problems to the education institutions for solution, which was never very strong in some states, has largely ended. The questions now concern what form of state coordination and governance, what method of accountability and what kind of budget system and budget justification will be used. During the period of growth multicampus systems of public institutions emerged in a majority of states. As a result higher education institutions have been seeking new and more effective coalitions of higher education interests to protect and, if possible, enhance their budgetary position relative to other parts of state government. This applies to states with multicampus systems and to the states where informal political alliances among public colleges have been the rule.

New challenges for state higher education agencies

Because of the changed conditions and the increased demand for resolution of the problems presented in an era of limits, state higher education agencies will encounter new challenges in the coming decade. Their variation of form and method probably will continue, largely because the state structures are determined more by the political forces involved than by the nature of the tasks to be performed. There was no one "preferred solution" for governance and coordination that emerged during the period of growth in the 1960s and in the first half of the 1970s and it is unlikely that one will emerge for the era of limits in the 1980s.

Despite the variations in state structures, there are many influences that will operate in a similar fashion on statewide higher education agencies in all states during this decade. Some of these are:

1. *Difficulty of Prediction*

The political, economic and social context within which higher education

Table 1
State Higher Education Boards

		Coordinating Boards						
		With Program Approval Authority			With Program Review and Recommendation Authority Only			
Consolidated Governing Boards—All Public Institutions	Consolidated Governing Boards for Senior Institutions—Separate Agency for Community Colleges	Consolidated or Aggregated Budget	Budget Review and Recommendation	No Statutory Budget Role	Consolidated or Aggregated Budget	Budget Review and Recommendation	No Statutory Budget Role or Program Approval	Executive Appointed Agency
Georgia*	Arizona°	Connecticut	Colorado	New York[1]	Alabama	Alaska	New Hampshire	Delaware
Hawaii	Iowa*	Illinois	Indiana		Arkansas	Oregon[1]	Nebraska	Vermont
Idaho[1]	Kansas*	New Jersey	Kentucky*			California	Maine	
Massachusetts[2]	Mississippi*	Ohio	Louisiana			Minnesota	South Dakota[1]	
Montana*[1]	North Carolina	Oklahoma	Missouri			Washington		
Nevada°	[Florida]*[1]	South Carolina	New Mexico			Michigan[1]		
North Dakota°	[Oregon]*	Maryland	Tennessee			Florida[1a]		
Rhode Island[1]			Texas					
Utah			Pennsylvania†[1]					
West Virginia			Virginia					
Wisconsin								
[Alaska]*								
[Maine]*								
[New Hampshire]*								
[South Dakota]*								

KEY:
- [ ] Separate statutory coordinating agency
- * Separate 1202 commission
- ° Separate 1202 commission staffed by governing board staff
- † Governing board in relation to state-owned institutions, coordinating board for state-related, etc.
- 1 States with agency responsible for all levels of education
- 2 Changed from a coordinating to a consolidated governing board by legislative action effective July 1, 1980; board will be activated as of March 1, 1981.
- a No program review authority

SOURCE: Richard M. Millard, Director of Postsecondary Education, Education Commission of the States, adapted from Aims C. McGuinness, "Intergovernmental Relations in Postsecondary Education: The Case of the 1202 Commissions" (Ph.D. dissertation, Syracuse University, 1979), Table 23, p. 321.

operates is changing rapidly and will be more difficult to predict. Although tools for technical planning (computers, modeling, better management information systems) have become more sophisticated, the assumptions on which projections of the future are made will be harder to specify with confidence. This may encourage more short-term planning. State agencies may find it difficult to develop accurate assessments of future conditions as a basis for state policy, which in turn may make it difficult to convince legislators and the public of the value of planning.

Unpredictable planning conditions

2. *Variable Political Support*

The political support from the institutions for statewide planning may weaken. During a period of growth the hopes and aspirations of institutions were relatively easy to include in statewide goals and plans. There is little to motivate institutions to support long-range plans that involve their own retrenchment, since these do not provide attractive rewards to faculty or administrators. From the institutional point of view, it is usually better to hold out hopes of maintaining or improving the status quo, and try to realize these hopes by political means, than actually to plan for retrenchment.

Variable political support

The political support from the legislature, governor and other elected officials for planning has always been limited. Legislatures make policy and deal with short-range issues that are of immediate concern through a process of negotiation. Planning, which is a longer range bureaucratic, technical process, can limit the scope of legislative negotiation and action. Past planning activities have been given political support primarily when the planning embodies popular political objectives. Thus plans for the expansion of community colleges or vocational education in the past have received widespread support, but plans to limit graduate development often have been overruled politically.

3. *Increased Politicizing of Functions of State Agencies*

It is becoming harder to mediate the political forces that operate on higher education. Most statewide agencies have some role in resolving statewide issues and in establishing or changing state policy that affects higher education. The state agency role in mediating (recommending) budgets is particularly difficult at this time because economy-minded legislators are coming in conflict with inflation-pressed educators and it is harder to find an acceptable middle ground. Since the budget is the principal instrument of state policy that affects higher education, the overall role of the state agency is greatly affected by its budget role.

Increasing pressures on state agencies

The future outlook is that these pressures will intensify. Institutions and their constituencies will be pushing hard to maintain appropriations when enrollments decline and to obtain adequate increases to cover inflation. At the same time legislatures and governors will be pushing hard to keep spending from rising and to provide tax relief. Statewide agencies will have an increasingly difficult time in finding a middle ground among these competing objectives or indeed in maintaining an influential role in the final process of negotiating the specific appropriations. However, state agencies may increase their specialized role in evaluating budgets in relation to long-range plans and policy objectives of the state.

Most state agencies have a statutory role in the approval of new programs and in the establishment of institutions. In the 1980s the emphasis may shift to more program terminations. Off-campus programs that are duplicating each other or are duplicating on-campus programs will need to be cut back and some public institutions may need to be merged or closed. Program termination, off-campus termination and institutional merger or closing will generate strong political resistance from the local constituent groups, as well as strong encouragement from the economy-forces in the state government. State agencies will have more difficulty in mediating these various influences.

Increased politicizing of state agency functions

The net effect of the limits of the 1980s may be the increased politicizing of the functions of the state agency, particularly the budget review and the program regulation functions. For state agencies the challenge will be to maintain a broad public-interest perspective on these issues and to avoid becoming the political servant of any one interest or point of view.

4. *Conflicting Pressures for Decentralization and Accountability*

Conflicting pressures are occurring for decentralization and accountability. There are trends toward more state regulation, oversight and accountability in higher education. There also are efforts in several states to reduce the size of the bureaucracy and the number of groups and agencies that are involved at the state level. Decentralization of authority and responsibility to the campuses may gain headway when the decisions involve reallocation of resources and program or personnel cutbacks. Legislators and state agencies usually do not gain any political capital by involving themselves in decisions about program or personnel reductions, so they may be quite willing to have these tough decisions made at the campus level.

Possible reliance on "market forces"

A greater reliance on student choice of institution and program is advocated by some as the best way of letting "market forces" determine success or failure of institutions. States may not need to be involved directly in decisions about program continuation if student choice is the major criterion for program success or failure. Critics of this approach cite the limitations of the market model for higher education and the potential abuses of unregulated competition for students. The market may reward promotional skill as much as or more than educational soundness; the "easy" program may attract more students than the rigorous one. A brief summary of both points of view is:

> The free market route seems politically attractive, for no one has to take the blame for grim results such as institutional closures. But it depends on a variety of factors, such as accurate and well-disseminated information, fair competition and an extremely well-worked out student assistance program. Even with all these factors in place, the assumptions of ultimately benign outcomes to the workings of Adam Smith's "invisible hand" may be no more justified in the educational domain than they earlier were in the economic.
>
> The other alternative, state intervention, raises other problems. Particularly during periods of retrenchment, the state role can easily become viewed as negative and regulatory. . . .
>
> Even though, in theory, a state should opt for the market model or the intervention model, in practice most states undertake activities of both kinds.[5]

Pressure for more accountability

At the same time strong pressure exists for more accountability from postsecondary education. This will mean more oversight of substandard institutions through state licensure and relicensure, more review of program quality and more efforts to evaluate the accomplishments of public higher education as a way of justifying budgets. The legislature, the executive branch and the state higher education agency are all likely to be involved in the accountability of higher education: the legislature in "sunset" legislation and in program as well as fiscal audits, the executive branch in budget reforms that build in an evaluation component to budgeting and the state higher education agency in program review, licensure and, in some states, accreditation.

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[5] Robert O. Berdahl and Amy Plumer, "Major Issues Before the State Boards," *The Maintenance of Academic Quality in a Time of Uncertainty*, Proceedings of a National Seminar (Denver, Colo.: Education Commission of the States, Inservice Education Program, 1977), pp. III-2-III-3.

Conflict of evaluative and oversight role

In some states the state agency will have the central role in the oversight process, which in turn will limit the agency's ability to serve as the principal advocate of the needs of higher education. In order to maintain credibility with the legislature and the public, the accountability and oversight functions should be separated from the role of advocate. State agencies may have to move in one direction or the other — either toward more of an evaluative and oversight role or toward more of a role of advocate for the various educational needs and interests.

Unique pressures on governing boards

This tension between the role of objective critic and the role of advocate is likely to be greater among the statewide governing boards than among statewide coordinating boards. The law in most states gives these boards very broad powers both to govern institutions and to represent institutional interests with state government. Legislatures in some states have been critical of such boards for not exercising a more vigorous role in oversight. It is also difficult for a governing board to gain credibility for its self-evaluation activities with the legislature. In states where the board is conducting a more extensive review of institutional program and operation, there usually is pressure from institutions to reduce the board-level bureaucracy and to give more autonomy to individual campuses. Since institutions have to be discreet in the way they criticize their own boards, examples of public conflict are rare. Commonly the issue emerges in the legislature, taken there by supporters or friends of the institution. Thus there are several states with a governing board where legislative proposals for governance changes are being seriously considered.

5. *Planning, Budgeting and Institutional and Program Regulation*

In about 35 states a single state agency has the major responsibility for planning, coordinating and regulating public higher education. In most of these states the agency has responsibility for the major coordinating functions of budget review, of institutional and program review and regulation, and of planning and policy recommendations. In some of these states the state agency administers a student aid program and a few small federal grant programs that are state operated; it also may operate other programs such as a statewide television network or some parts of the continuing education program.

In the remaining 15 states there are several agencies involved. They sometimes represent sectors of education (for example, a board for the community colleges and a separate board for the state universities). Sometimes they represent different functions, so that there would be a planning agency and a separate governing board for public institutions. The planning agency in some states is responsible for maintaining liaison with the independent sector.

Interrelationship of planning, budgeting and institutional and program regulation

The experience of the last decade with statewide coordination makes it clear that the functions of planning, budgeting and institutional and program regulation need to be closely related to each other. Planning and policy making that is not related to the budget process will have little influence in most states. Some regulation of program development is necessary if state objectives are to be achieved. State agencies that are responsible for only part of these functions have generally had limited effectiveness.

The pressures of the 1980s may lead to development in several of the remaining states of a single state agency that is responsible for planning and policy development, for program review, for budget review and recommendations and for institutional licensure and operation of selected statewide programs, such as student assistance or statewide television or computer networks. There is also a possibility in a number of states that some of the functions may be performed primarily by the legislature, particularly budget review and program oversight functions. If so, the statewide agency may lose or never obtain some of the key functions involved in coordination and governance.

6. *Influence of State Agencies*

Influence of statewide agency vis-à-vis state board of education

In about a third of the states the state higher education agency is roughly comparable in influence to the state department of education in its role in policy making and in its ability to represent the sector in the political arena. In the other two-thirds of the states there is no higher education board with comparable stature, influence or functions equal to the state board of education. In two states a single board and agency combines all levels of education. It is uncertain whether this decade will bring an increase in the number of states with a state higher education board that has influence on state educational policy that is comparable to the influence of the state board of education in educational policy.

7. *The Federal Influence on the State Role in Postsecondary Education*

State departments of education have had their influence greatly strengthened by the federal government in the past 15 years. Most federal programs designed to improve the public schools have been operated through state departments of education. In many states the administration of federally assisted programs, such as vocational education, has more than doubled the state education agency staff. No comparable federal impact on the role of the state in higher education has occurred, even though the federal government provides a much larger share of higher education revenues (about a third) than of public school revenues (about eight percent). The federal funds in higher education have been distributed directly to students or to institutions, and almost none of them has involved the state higher education agency.

A strong case can be made that the states ought to be involved in distribution of federal funds in those areas where federal funding has a major impact on state policy and on state responsibilities. Student assistance is the best example. The rapid expansion of federal student aid has an impact on state tuition policy and state student aid policies, but states have been largely ignored in the development of federal programs and policy.

Changing state-federal relations

The extent to which states will have a different relationship with the federal government in this decade that will strengthen the state higher education agencies is questionable. It will depend on whether states can act collectively to bring about changes in the federal Higher Education Act that will give them a stronger role. The diversity of the states and the weakness of some of the state higher education agencies are major impediments to changes in the federal law that will strengthen the state role. Unless there is a responsible and credible state agency in all, or nearly all, of the states, it is difficult for the federal government to deal with the state higher education agency. Also, institutional opposition to a stronger state role is still evident in many states. The institutions do not want the federal government to reinforce the role of the state agency by involving it in the operation of student aid programs or other federal-institutional programs.

State role in equal opportunity and affirmative action

8. *Equality of Opportunity and Affirmative Action*

The role of the state is likely to become more important in insuring equality of opportunity and affirmative action to provide minorities, low-income youth, the handicapped and women access to all parts of postsecondary education.

Most of the southern states have been involved at the state level in the development of desegregation plans as a result of court actions. A few of the nonsouthern states have also had active state efforts to expand minority opportunities. In many states, however, desegregation and affirmative action have been federal-institutional issues, with the states in a relatively passive role. In the 1980s, states are likely to be drawn into a more active role in dealing with desegregation and affirmative action issues, because the effectiveness of such programs is dependent in part on state action, as well as the independent action of many institutions. An effective state-federal student aid program, for example, is necessary to insure access for low-income minorities. Recruitment to and preparation for entry into selective graduate and professional programs require action by secondary schools and a variety of undergraduate colleges. Statewide as well as institutional commitment to these programs is necessary to make them effective.

9. *Employment Demand and Program Match*

The public will continue to be concerned about the match between job opportunities and the programs and graduates from colleges and universities. The state higher education agency role in trying to make a better match will continue to be perceived as important by the public and by the state legislature. In the past two decades of expansion, states have not been very effective in either identifying the changing job market opportunities or in doing much about professional programs that are producing more graduates than can be absorbed by the economy.

Manpower planning

The role of the state agency in manpower-planning will continue to be a difficult one. Even if states improve their technical ability to link job requirements with educational output, the political acceptability of state action to limit educational output is not likely to increase very much. In this area the best role of the state agency may be the provision of better information to students, whose choices will then have a major effect on the expansion or contraction of programs.

10. *Educational Quality*

During this decade the public will continue to be concerned with the quality of education, which will probably lead more states to develop assurance of quality that goes beyond basic licensure. Traditionally, voluntary accreditation has been the major device for providing assurance of educational quality. However, in recent years state licensing has increased its functions in a number of states to include reviews that are similar to accreditation. Both state oversight and licensure and voluntary accreditation are involved in quality assurance, but the relationship between them is in transition. Voluntary accreditation may become more of a public process, or there may be both a strengthened state licensing role and a more public voluntary accreditation.

Concern for quality

To the extent that states assign the responsibility for licensure and quality control to a single state higher education agency, and to the extent that the state agency's dual role of advocate and evaluator can be resolved within the state, the state agency's role should be expanded by the concern for quality. However, at present the licensing and oversight role is divided in a majority of states with different agencies responsible for licensure of vocational schools, of proprietary schools and of collegiate, degree-granting institutions. The Constitutional separation of church and state limits sharply the possibility of any state oversight of quality for seminaries and theological schools. There are also a number of states where the state agency's role of advocate for the public sector makes it unacceptable to the independent sector as the licensing and oversight agency. Whether the oversight role will augment the state higher education agency will vary considerably from state to state.

11. *Viable Information Systems*

Need for accurate and current information

State agencies will be expected to have accurate and current information systems to provide data and analyses for planning, policy development, budget justification and evaluation of effectiveness and efficiency in postsecondary institutions. The technology and definitions are available now to enable states to implement systems that meet most of their own needs and that allow comparison with operations in other states. The evaluative data are less well developed than the basic operating data on students, faculty, facilities, available programs, finances and graduates. In this decade most state agencies that have not already done so will have to develop comprehensive information systems. Funds to implement systems may be the main barrier in some states. Even where state agencies are operating primarily in a politically negotiated mode of decision making, rather than in a rational planning and policy analysis mode of decision making, an information system is a necessity.

The use of information systems in more complex analyses and evaluations is likely to grow. In a number of states, governors' planning and policy staffs and state legislative staffs are demanding better information and analysis of issues and better justification of budgets. It is not just a question of more comparable data, but of more pertinent data for policy making and decision making. State agencies will have to spend more time analyzing data and making it available in useful form to political and education leaders.

E. Summary and Speculations

In addition to considering the influences already discussed, most state agencies will have to confine their operations within tight fiscal and personnel limits. They will have to conduct their business in public and more of them are likely to be evaluated periodically. Here then are several speculations about the state agencies in the 1980s:

1. *Continuous, Short-Range Planning*

Continuous, short-range planning

The emphasis on comprehensive, long-range master planning as a state agency function may decrease in this decade, while higher education agencies will do more continuous planning in the form of short-range policy analysis and recommendation about specific issues. The uncertainty of the future and the difficulty of maintaining political support for planning during a period of decline support this speculation.

2. *Possible State Agency Shift*

Possible state agency shift

State agencies will attempt to maintain the support of both the institutions and the governor and legislature and remain "in the middle." Yet more of them will be drawn toward the gubernatorial and legislative side of the education-political equation. In some states, where there is substantial tension between the governor and the legislature, state agencies may be drawn to one or the other side of the political struggle. For state agencies caught between governor and legislature, it is likely to be an untenable situation. This speculation is supported by the greater difficulty of mediating the politics of higher education. The governor and legislature have much more direct control over state higher education agencies than they do over the institutions. In a number of states, state agencies will have to assume more of a role of critic and evaluator on behalf of the state and less of a role as an advocate for postsecondary education.

3. *Increased Quality Control*

Increased role in quality control and evaluation

In large complex states with coordinating rather than governing boards and with a continuing pressure for oversight and accountability, there will be a strong tendency for state higher education agencies to assume more of a role in quality control and evaluation of the state higher education system. In states that develop a strong legislative role in oversight, the state agency may either assume part or all of the oversight of public higher education at legislative direction. In small states with governing rather than coordinating boards and with a small, weak independent sector, the higher education governing board will continue to be primarily an advocate of public postsecondary education. Such a governing board will develop its evaluation role only as much as necessary to cope with the problems of institutional retrenchment and resource allocation within the system. This speculation is supported by the trend toward more accountability and oversight, which is likely to cause the state agency to serve as the instrument wherever it has credibility. However, it also reflects the public demand for accountability and the reality that a number of small states continue to make decisions almost entirely through political negotiations. In such states a single governing board is a functional means to carry on these negotiations.

4. *Need for Single State Agency*

Need for single state agency

The need will be more obvious for a single state agency responsible for the interrelated functions of program regulation, institutional licensure, planning and policy analysis and recommendation and budget review. More state higher education agencies will assume responsibility for all of these functions and more state agencies may obtain the responsibility for review and termination of existing programs. The budget review function is a special case. In some states the state higher education agency may be limited to a review of special policy issues or to the examination of the budget for conformity to educational planning and policy guidelines. The governor and legislature may conduct all of the regular budget analysis. This speculation is supported by the combination of fiscal austerity, excess program capacity in some fields in nearly every state and high level of legislative interest in having something done to make educational operations more efficient.

5. *Increased Federal Government Interest*

Federal interest

In the 1980s the federal government may work more closely with state higher education agencies, particularly in the student aid field. However, the federal government may continue to bypass state higher education agencies and work directly with institutions in the implementation of federal programs. If so, federal programs will make only a marginal difference in the structure and functions of state higher education agencies. This speculation is supported by the fact that the majority of federal funds are likely to continue to go directly to students or to institutions from federal agencies.

6. *Cautious Compliance With Affirmative Action*

Affirmative action

State agencies may be cautious about getting involved in federally initiated affirmative action or compliance with civil rights activities. There is already a complex process of federal-institutional compliance with substantial court involvement. It will be difficult for state agencies to get involved in many of the states; however, some may be able to mount more effective voluntary efforts at recruitment, placement and retention of minorities in professional and graduate programs where they are currently underrepresented. This speculation is supported by the fact that the federal government is already the dominant influence in monitoring and enforcing compliance.

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7. *Continued Variation Among State Coordination Activities*

Continued variation of coordination and governance

At the present there are variations among the states in the scope of state coordination activities, in the structure and legal responsibilities of state agencies, in the functions they perform, in their political influence and in their general effectiveness. While there may be a little convergence of the functions among the states, the variance in structural differences, scope of activities and political influence of state higher education agencies will still be quite wide a decade hence. There is little likelihood of a common form or process for state coordination and governance. Instead, there will be different developments in many states where agencies will retain their own historically and politically determined structures, procedures and relationships.

This decade will be a testing period for a number of the state agencies. Can they serve the state effectively under the more difficult conditions that will exist in the 1980s, and survive politically? The state agencies that do not have statutory responsibilities that are consistent with the executive and legislative expectations of the functions they should perform will have increasing difficulty. Therefore the functions and expectations will need to be brought into a reasonably close relationship with the statutory basis for authority if state agencies are to survive and to operate effectively. Finally, the successful state agencies will have to have a realistic mission in relation to the problems postsecondary education faces in the state and the necessary authority and responsibility to deal with the policy issues that will arise.

II. Planning in the 1980s

A. Introduction

State planning during the 1960s and through the early 1970s was growth oriented. The planning issues that state higher education boards and agencies faced were ones of expansion. The primary emphasis in planning was on the development of master plans, which most state agencies engaged in but with varying degrees of success in getting them implemented. In the 1980s because of the uncertainties involved and the attendant difficulties of prediction, statewide planning will be considerably more complex. The traditional concerns and modes of rational planning, including the ability to identify long-range goals and objectives, will present problems. Also divergence of opinion in relation to goals will lessen the possibility of consensus. Some investigators even question whether such goal setting and development of rational means for their achievement are either feasible or desirable.[1] Despite the difficulties, however, planning will be necessary in this decade to meet the variety of higher and postsecondary education needs of citizens, to provide reasonable balance, equity and coordination among institutions and segments, and to insure the accountability of postsecondary education to the political and general communities.

Increased complexity of planning

B. A New Perspective for Planning

While the approaches to planning and modes of planning vary, the essential components of the process remain fairly constant. Basically planning involves identification of goals and objectives, accumulation of accurate data about these, analysis of their interrelations, extrapolation of future alternatives, assessment of probable consequences of introducing new variables, and choice of the most desirable modified alternatives. It also includes a sequential plan or plans for implementing the primary objectives and a system for periodically reevaluating these objectives and the means for achieving them.

Unlike the basic concepts of statewide planning, however, the context and substance of planning have changed radically from the 1960s and early 1970s. The period of general expansion is over. While enrollments will continue to grow in some states and at some institutions, the prospects for the period ahead are generally for variable enrollments and in some institutions and states for major declines. All of the tensions discussed in the previous chapter — demographic, fiscal and political influences — constitute the new planning context. Instead of "providing for the orderly growth of public higher education," most state postsecondary education agencies are faced with planning for retrenchment, readjustment and adaptation of the system of postsecondary education to changing clienteles. Planning for adaptation to changing student clienteles will be necessary even where enrollments are stable or increasing. These conditions require a new perspective as statewide agencies

Change in context and substance

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[1] Anthony V. Morgan, "Budgeting Approaches in the 80s," paper delivered at the Conference on the Financing of Postsecondary Education in the 80s, University of Arizona, Tucson, Ariz., Dec. 5, 1978.

attempt to carry out their planning functions and increase their sensitivity to the political possibilities of carrying them out.

1. *Strategic and Tactical Planning*

Formerly, it was fairly easy to distinguish between what might be called strategic or long-range planning and tactical or short-range planning. Strategic planning develops the framework that reflects a state's fundamental assumptions about postsecondary education — the long-range societal objectives and goals and the principal missions, roles and functions of all postsecondary institutions and agencies. Tactical planning occurs within the parameters of strategic planning and deals with short- and intermediate-range goals and step-by-step means for achieving these goals.

Effective planning responsive to rapid change

The functions of strategic and tactical planning are as critical now as at any time in the past but the distinction between them is blurred. Some states and state agencies require current updates of the "master plan" or use a rolling base approach with a three- to five-year plan or projection modified and developed each year in the light of tactical issues faced annually. Effective planning must be responsive to a more rapid rate of change. Long-range planning in particular may be outdated unless it is kept current. Although long-range planning in the sense of preparing a master plan may be a less viable alternative in the future, in some situations developing a master plan may be required by law and can be as crucial in the 1980s as formerly if it is kept current. Under any circumstances planning in this decade needs to be flexible, to deal with contingencies and be more rapidly adaptable to changing situations than has sometimes been the case in the past.

2. *The Goal-Setting Process*

Goal-setting process

The goal-setting process must deal both with educational goals and subsidiary administrative goals that in some instances may take priority. Plans also should include social equity goals — for example, equitable treatment of women and affirmative action for minorities — that are determined in part by federal legislation and the courts. Obtaining consensus on the integration of social goals with educational goals is difficult, partly because it involves tensions between fiscal constraints and demands for social justice as well as varying perceptions of the nature of these demands. In such areas the goal-setting process may not be able to move much beyond defining the problem and circumscribing the tolerable limits of action.

3. *Broadened Scope of Planning*

Expansion of scope of planning

The scope of planning for which statewide agencies have become increasingly responsible has broadened in the last few years. This broadening includes not only types of institutions but issues to be covered. During the 1960s and early 1970s the primary planning responsibilities of statewide agencies related to four- and two-year public colleges. They now extend to public postsecondary vocational institutions in 47 states, independent nonprofit institutions in 46 states and proprietary institutions in 41 states (see Table II, pp. 17-18). In addition nontraditional programs have flourished in the past 10 years. Other areas that must be considered as part of the broadened planning framework include the extensive adult and continuing education programs offered on- and off-campus, in- and out-of-state, by a wide variety of institutions.

As a consequence of the wider range of education programs, more institutions and their constituencies must be involved both in goal determination and in providing information for planning. This should occur both internally at institutions and at the statewide level. It also means increased complexity in the types of objectives, in their relation to each other and in the development

TABLE II
POSTSECONDARY EDUCATION PLANNING RESPONSIBILITIES BY STATE

STATE	AGENCY	FOUR-YEAR PUBLIC	TWO-YEAR PUBLIC	PUBLIC VOC. EDU.	INDEPENDENT	PROPRIETARY
Alabama	Commission on Higher Educ.	Statutory	Statutory	Statutory	Executive Order	Executive Order
Alaska	Postsecondary Educ. Commission	Statutory	Statutory	Statutory	Statutory	Statutory
Arkansas	Board of Higher Education	Statutory	Statutory	Statutory	Statutory	Statutory
Arizona	Board of Regents	Constitutional				
	State Board of Comm. Colleges		Statutory			
	Postsecondary Commission	Executive Order	Executive Order	Executive Order	Executive Order	Executive Order
California	Postsecondary Educ. Commission	Statutory	Statutory	Statutory	Statutory	Statutory
Colorado	Commission on Higher Education	Statutory	Statutory	Statutory	Executive Order	Executive Order
Connecticut	Board of Higher Education	Statutory	Statutory	Statutory	Statutory	Statutory
Delaware	Postsecondary Educ. Commission	Executive Order	Executive Order	Executive Order	Executive Order	Executive Order
Florida	Dept. of Educ. Commission for Post-High School Education	Statutory/Exec. Order	Statutory/Exec. Order	Statutory/Exec. Order	Statutory/Exec. Order	Statutory/Exec. Order
	Board of Regents	Statutory				
Georgia	Board of Regents	Constitutional	Constitutional			
	Postsecondary Commission	Executive Order	Executive Order	Executive Order	Executive Order	Executive Order
Hawaii	Board of Regents	Constitutional/ Statutory	Constitutional/ Statutory	Statutory	Statutory	Statutory
Idaho	Board of Educ.	Constitutional/ Statutory	Constitutional/ Statutory	Agency Policy	Agency Policy	Agency Policy
Illinois	Board of Higher Education	Statutory	Statutory	Statutory	Statutory	Agency Policy
Indiana	Commission for Higher Education	Statutory	Statutory	Statutory	Statutory	Statutory
Iowa	Board of Regents	Statutory	Statutory			
	College Aid Commission	Executive Order	Executive Order	Executive Order	Executive Order	Executive Order
Kansas	Board of Regents	Constitutional/ Agency Policy				
	Legis. Education Planning Comm.	Statutory	Statutory	Statutory	Statutory	Statutory
Kentucky	Council on Higher Education	Statutory	Statutory			
	State Advisory Council on Voc. Educ. (1202)		Executive Order	Executive Order		
Louisiana	Board of Regents	Constitutional/ Statutory	Constitutional/ Statutory	Executive Order	Executive Order	Executive Order
Maine	Board of Trustees	Statutory	Statutory			
	Postsecondary Commission	Statutory	Statutory	Statutory	Statutory	Statutory
Maryland	Board of Higher Education	Statutory	Statutory	Statutory	Statutory	Statutory
Massachusetts	Board of Higher Education	Statutory	Statutory	Statutory	Agency Policy	Statutory
	Postsecondary Educ. Commission	Executive Order	Executive Order	Executive Order	Executive Order	Executive Order
Michigan	Dept. of Educ.	Statutory	Statutory	Executive Order	Executive Order	Executive Order
Minnesota	Higher Education Coordinating Board	Statutory	Statutory	Statutory	Statutory	Statutory

POSTSECONDARY EDUCATION PLANNING RESPONSIBILITIES BY STATE (cont'd.)

STATE	AGENCY	FOUR-YEAR PUBLIC	TWO-YEAR PUBLIC	PUBLIC VOC. EDU.	INDEPENDENT	PROPRIETARY
Mississippi	Board of Trustees	Constitutional				
	Junior College Commission		Statutory			
	Postsecondary Educ. Planning Bd.	Executive Order	Executive Order	Executive Order	Executive Order	Executive Order
Missouri	Dept. of Higher Education	Statutory	Statutory	Agency Policy	Statutory	Agency Policy
Montana	Board of Regents	Constitutional	Statutory			
	Committee on Fed. Higher Educ (1202)	Executive Order	Executive Order		Executive Order	
Nebraska	Coord. Commission for Postsec. Educ.	Statutory	Statutory	Statutory	Statutory	Statutory
Nevada	Univ. of Nevada System	Constitutional	Constitutional	Constitutional		
	Higher Education Commission (1202)	Executive Order	Executive Order	Executive Order	Executive Order	Executive Order
New Hampshire	Postsecondary Educ. Commission	Statutory	Statutory	Statutory	Statutory	Statutory
New Jersey	Board of Higher Educ.	Statutory	Statutory	Executive Order	Statutory	Executive Order
New Mexico	Board of Educational Finance	Statutory	Statutory	Statutory	Statutory	
New York	Board of Regents	Constitutional/ Statutory	Constitutional/ Statutory	Constitutional/ Statutory	Constitutional/ Statutory	Constitutional/ Statutory
North Carolina	Board of Gov.	Statutory	Statutory		Statutory	
	Board of Educ.		Statutory	Statutory		
North Dakota	Board of Higher Education	Constitutional/ Statutory	Constitutional/ Statutory			
	Postsecondary Educ. Commission	Statutory	Statutory	Statutory	Statutory	Statutory
Ohio	Board of Regents	Statutory	Statutory	Statutory/ Agency Policy	Statutory	Statutory
Oklahoma	Board of Regents	Statutory	Statutory	Statutory	Statutory	Statutory
Oregon	Educational Coord. Commission	Statutory	Statutory	Statutory	Statutory	Statutory
Pennsylvania	Dept. of Educ.	Statutory	Statutory	Statutory	Statutory	Statutory
Rhode Island	Board of Regents	Statutory	Statutory	Statutory	Executive Order	Executive Order
South Carolina	Commission on Higher Educ.	Statutory	Statutory	Statutory	Statutory	Executive Order/ Agency Policy
South Dakota	Board of Regents	Constitutional/ Statutory				
	Educ. & Cultural Affairs Planning Commission	Statutory		Statutory	Statutory	Statutory
Tennessee	Higher Educ. Commission	Statutory	Statutory	Executive Order	Executive Order	Executive Order
Texas	Coordinating Bd.	Statutory	Statutory	Executive Order	Statutory	Executive Order
Utah	Board of Regents	Statutory	Statutory	Statutory	Statutory	Statutory
Vermont	Educ. Planning Commission	Executive Order	Executive Order	Executive Order	Executive Order	Executive Order
Virginia	Council on Higher Educ.	Statutory	Statutory		Statutory	Statutory
Washington	Council for Postsecondary Educ.	Statutory	Statutory	Statutory	Statutory	Statutory
West Virginia	Board of Regents	Statutory	Statutory	Executive Order	Executive Order	Executive Order
Wisconsin	Univ. of Wisc.	Statutory	Statutory			
	Bd. of Voc. & Tech. Educ.		Statutory	Statutory		
Wyoming	Univ. of Wyoming	Statutory				
	Community College Commission		Statutory			

SOURCE: Aims C. McGuinness, "Intergovernmental Relations in Postsecondary Education: The Case of the 1202 Commissions," (Ph.D. dissertation, Syracuse University, 1979), Table 23, p. 321

of priorities among them as they relate to needs assessment, funding availability and state educational goals. The situation is further complicated in those states where the same agency does not have planning responsibilities for some among the various types of institutions. In such cases interagency communication and cooperation in the planning activities, while essential, may be difficult.

3. *1202 Commissions*
The move to include nonpublic and noncollegiate sectors of postsecondary education in the planning process was given impetus by the federal government in the Education Amendments of 1972. For the first time the federal government recognized and attempted to reinforce state responsibility for statewide planning for postsecondary education by authorizing states to designate or create State Postsecondary Commissions for planning (Section 1202). Such commissions were to be broadly and equitably representative of all the segments of postsecondary education and would receive some federal funding to assist in the planning process.

Inclusion of all sectors in planning

To date all states except North Carolina have carried out the original intent of the legislation. They either have designated the existing state higher education agency or board, have augmented existing agencies for the purpose or have created new agencies as state postsecondary commissions. In a few states new commissions have duplicated functions of existing commissions. However the primary impact of the 1202 legislation has been to expand recognition in all states of the need in statewide planning to include all sectors of postsecondary education in the planning process. Proposed new federal legislation shifts the emphasis from 1202 commissions as such to state planning agreements in which states specify the agencies responsible for planning but further reinforces the importance of comprehensive statewide planning both for states and the federal government.

C. Important Issues for Statewide Planning

Need for cooperation

Given the changing conditions for the 1980s, in particular the growing competition for students and the changing student clientele, the planning function must deal with the tensions within the postsecondary universe. Planning decisions will become increasingly difficult, encompassing issues that affect institutions, statewide agencies and state educational goals. In addition, the need for cooperation between secondary education and postsecondary education will emerge as a major planning issue in this decade for those areas that do not fall exclusively into either the secondary or postsecondary realm. These include planning and funding for vocational/occupational education; education for minority students; issues of remedial education; and adult, continuing education and lifelong learning. Among the issues of growing importance that statewide planning must address are:

Independent sector

1. *Reconsideration of Role of and Support for Independent Higher Education*
Within the context of statewide planning the role and contribution of independent higher education vis-a-vis public postsecondary education must be faced, including the extent to which the independent sector should be reinforced in a declining market. Currently some 43 states make public funds available to independent institutions indirectly through student aid or directly by institutional supplements. If this support is to continue and even to expand, it could occur to the detriment of support for public institutions. At question is the closing of institutions:

- Should those independent institutions in serious trouble be bailed out by the state, should they get help in closing in an orderly manner or should

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they be left to close without public involvement?

- Should faltering public institutions be kept alive, particularly where relatively strong independent institutions in the area can more effectively meet the needs of students?
- Granted the political difficulties in closing any public institution, are there reasonable alternatives such as consolidation of public institutions or consortium arrangements between public and independent institutions?

The extent to which the state should become involved in determining the role and future of independent institutions is debatable. However, because independent institutions do contribute a vitality and uniqueness that should not be lost, they must be considered educationally and politically in the identification of goals for postsecondary education.

2. *Planning for Vocational/Occupational and Professional Education*

From the time of the Smith-Hughes Act (1917) through the vocational education amendments of 1968, vocational education generally was considered outside the mainstream of higher education. This concept changed in the 1960s and early 1970s with the rapid development of comprehensive community colleges that stressed strong occupational emphasis. In senior institutions the past decade also has seen a decrease in demand for and employability of baccalaureate graduates with traditional arts and sciences degrees, particularly in the humanities. At the same time programs in business administration and other career-related subjects have been flourishing. Consequently not only community colleges but many public and independent four-year institutions have moved more into occupational areas. To complicate matters further the federal government has inaugurated career education legislation (1974) not clearly related either to vocational education or to postsecondary education but aimed at secondary and elementary schools. The complex situation relating to vocational and occupational postsecondary education has created multiple issues.

Issues for vocational and occupational education:

Fragmentation

a. *Fragmentation of vocational, occupational and professional education.* As a result of federal programs and the various institutions involved in vocational, occupational and professional education, fragmentation has tended to occur.

- Vocational education and career education agencies with responsibilities for programs, schools and institutions exist under state departments of education or are freestanding.
- Comprehensive community colleges with strong vocational or occupational programs are under state higher education agencies, or are freestanding or in some cases are under state departments of education.
- Most of these institutions have inadequate communication and common planning to meet state needs and goals; the four-year institutions moving into occupational areas have little communication or support from any of these.

Duplicate programs

b. *Fiscal concerns with duplicate programs.* Because of the multiple institutions and agencies participating in the field, fiscal concerns arise with duplicate programs.

- Major statewide and federal funds support vocational and career education, and some go to community colleges. The situation has been further complicated by federal set-asides that too often have been taken as ceilings rather than floors.
- In some states vocational schools offering post-12th grade work are in direct competition with community colleges and vice versa, sometimes

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across the street from each other.

- The four-year institutions developing occupational education programs with state funds are in competition with both but without federal funds.
- In addition, proprietary institutions have provided a wide range of effective vocational programs without state support and frequently without cooperation or encouragement from the public and nonprofit sectors.

Given the situation regarding students and budget, duplicate programs are likely to become major areas of legislative, executive, industrial and community concern.

3. *Challenging Traditional Assumptions About the Students Served and the Time to Complete Programs*

Challenging traditional assumptions

The increasing proportion of part-time students, women students and minority students creates new conditions for this decade that will challenge some of the basic assumptions of traditional institutional and state planning for postsecondary education.

Part-time students

a. *Part-time students.* The proportion of part-time students has approached the point of constituting a majority. This means a longer time frame for part-time students to complete degrees, more in- and out-students, more students who may not complete nor intend to complete degrees and more nonresident students. For such students two- or four-year programs are relatively meaningless terms.

- Although a considerable number of students will continue to complete programs in resident status over a prescribed number of years, part-time students may require institutions geared primarily to their particular needs.
- For many institutions the increase in part-time students will require greater program flexibility, provision for adequate information and first-rate counseling and advice.
- All of the special needs of part-time students will increase costs for support and student services that will need to be reflected in planning.

Women in higher education

b. *Women in higher education.* Women for the first time in the history of higher education constitute a majority of the student body in colleges and universities.[2] This change has several implications:

- In relation to affirmative action, pressure will likely escalate to increase the number of women in faculty and administrative positions at the very time when the number of tenured faculty members is high in most institutions and when faculty retrenchment in many institutions seems inevitable.
- Thus, women may have high priority for the few faculty and administrative positions that become available.
- Conditions clearly suggest that affirmative action must be an integral part of the planning process.

Minority students

c. *Minority students in postsecondary education.* Although real progress has been made over the past 10 years in increasing the number of minority students in postsecondary education, this progress has been uneven in various types of institutions and programs. The Office of Civil Rights, in connection with

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[2] *Chronicle of Higher Education*, May 12, 1980. According to the final figures of the National Center for Education Statistics for the 1979 fall enrollment, women enrolled in colleges and universities "outnumbered men on campuses 5.9 million to 5.7 million" (p. 1).

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Adams v. Califano, has recognized that problems of integration cannot be solved on an institutional basis alone and has called for statewide plans in the states where the case applies. The proportion of minorities in the college age group will increase in this decade, and there must be continued attention given to issues of recruitment and retention.

- The black colleges, which constitute a unique resource that in the past has carried too much of the burden with inadequate support, will require more integration into state postsecondary education planning.
- More adequate distribution of nonblacks in primarily black institutions and of other minorities in other institutions will depend on effective program planning.

Articulation

d. *Articulation between secondary and postsecondary education for minority and nonminority students.* A basic part of the problem is not just increasing numbers of minorities in postsecondary institutions. Because programs such as medicine, dentistry, engineering, law and business administration tend to be the keys to social mobility and to service of underserved groups in the population, minorities should be insured adequate preparation and opportunity to enter these programs.

- An underlying cause of the problem begins in elementary and secondary schools where inadequate counseling and preparation frequently exist; the situation is compounded when underprepared minorities move into postsecondary education.
- This situation applies to nonminority students as well. Increasingly states are being asked to invest heavily in remediation of basic skills at the postsecondary level, and many of those served by remedial programs are not minority students.
- Various programs, such as Talent Search and Upward Bound, have helped but the principles and procedures involved in these must be more widely incorporated into the mainstream of secondary education.
- In this area as in others, more effective articulation between secondary and postsecondary education will be needed in the planning of this decade.

4. *Adult, Continuing Education and Lifelong Learning*

Complexity of adult, continuing education and lifelong learning

Closely related to the changing scope of postsecondary education is the issue of adult, continuing education and lifelong learning. Currently this area has some of the characteristics of a jungle with multiple actors at state, federal, institutional, community, business and labor levels. Many institutions concerned about decreasing enrollments are moving into expanded adult and continuing education programs on- and off-campus and even out-of-state without carefully developed plans or program-quality control. Not only are public and independent institutions competing with each other, but some public institutions are offering duplicative work in each other's dooryards and using public funds both to support the courses and to out-bid each other in advertising and promotion. In addition many high schools offer extensive adult education programs and state departments of education with federal support provide basic adult education. Probably the largest adult education programs are offered or required as inservice education in business and industry. This does not include the numerous community adult education groups nor the education programs for senior citizens or the military.

Adult, continuing education and lifelong learning have some striking features that will impact the planning of the 1980s for postsecondary education:

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- The majority of such activity is made up of noncredit learning. It tends to be learner-centered but in far too many cases quality control is minimal and *caveat emptor* applies.
- Although some of the expected decline in 18- to 24-year-old students may be offset by increases in adult students, most adult learners are not primarily interested in traditional college courses open to them and in this sense are not likely to replace the former group. Even though the average college age currently is over the traditional college age of students and 1 in 10 students is over 35, the older students are more likely to respond to nontraditional programs tailored to their requirements.
- Most of the older students seeking more traditional formal education generally are already among the best educated. Minorities, underprivileged persons and those with less than a high school education are seriously underrepresented. This has major social implications in that adult, continuing education and lifelong learning may unintentionally perpetuate and strengthen social inequality in the 1980s unless effective planning takes place now to counteract such trends through more active recruitment of minorities and underprivileged persons.

5. *Problems of Retrenchment*

Problems of retrenchment

Problems of retrenchment will probably be the most immediate and difficult ones affecting statewide planning for the 1980s. Issues that should be dealt with during a period of retrenchment include: (1) modification of institutional role and scope to meet changing conditions and needs, (2) elimination of duplication, (3) preservation and strengthening of quality, (4) institutional and program consolidation or elimination, (5) full-time staff and faculty retention, (6) readjustment of budgeting procedures to minimize enrollment fluctuations and (7) reallocation of resources. The problems connected with retrenchment may call for modifications in the powers and responsibilities of coordinating and governing boards or agencies in some states if they are to deal with these issues effectively. Otherwise, direct intervention by the political community in academic affairs is a real possibility.

D. Implications of Issues for Statewide Planning

Impact of changing conditions on statewide and institutional planning

The issues facing postsecondary education in the 1980s have major implications not only for planning on the statewide agency level but also on the institutional level. If, for example, this decade were to see a major shift to the market approach to institutional operation, the statewide agency role would diminish. The statewide agency or some other one would probably be necessary to provide assurance of minimum quality and resources for "fair" competition among the various institutions, independent and public. The institutional role would increase but with primary emphasis on market forecasting and development and on adaptation of programs to market conditions to increase enrollments and fend off competitors. On the other hand, if the movement is to greater centralization and consolidated governing boards, the consolidated governing boards would be faced with all of the planning issues. However, they would have the disadvantage of needing to deal from the vantage point of advocates for the public system with nonpublic institutions, which are likely to be skeptical of the boards' interests and objectivity. Assuming that neither extreme prevails but that some increased powers or responsibilities of state agencies occur in some states to meet the changing conditions, one can foresee the following implications for statewide and institutional planners.

1. *Analysis of Needs of Postsecondary Education Within the States*

At the state and institutional level needs analysis for programs, resources and students must be more extensive, analytic and focused. This will require more

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Utilization of manpower information

extensive and judicious utilization of manpower information not to tailor all postsecondary education to manpower requirements but to insure that the system is responsive to current and emerging manpower needs. The analysis must consider potential students, including current students and the adult population as well as persons involved in education and training programs in business, industry, labor and the military. The expectations and concerns of the political community should also be explored. Needs analysis also should be related to changing social, cultural and political priorities, such as energy and conservation as these relate to need for new or modified programs; institutional needs should approach a balance with community needs within available resources. Shifts among age cohorts who attend will be substantial as will be changes within them in racial and economic composition. Whether or not a general movement occurs in the direction of reliance on the market as a planning device, market analyses will become more important as a condition of institutional and system viability. Because some adaptation of programs will be essential to insure that they serve the more diverse student body, state agencies may have to do market analyses in determination of role and scope and in approval of new programs.

2. *Reassessment of Goals and Objectives: Educational Quality*

Educational quality a primary goal

An effective statewide planning process in the 1980s will require a basic reassessment of goals and objectives and specification of how the reformulated goals and objectives can be achieved. The process itself will require the participation of postsecondary institutions; the political community; business, industry and labor; elementary/secondary education; and the general public. Among the goals that need to be carefully reassessed perhaps the primary one is educational quality.

Often educational quality is assumed to be an indefinable characteristic associated with prestigious institutions, and with others to a lesser degree, and something whose minimum presence is attested to by accrediting agencies. If education is viewed not as an end in itself but as a series of means to ends — attainment of knowledge, career development, personal enrichment, social adjustment, social change — then educational quality must be defined in terms of effective achievement of such outcomes. This means that determination of quality is dependent upon (1) developing explicit individual and social objectives that postsecondary education is expected to achieve, (2) relating these objectives to the needs of society, (3) insuring the diversity of institutions and programs to meet these needs and objectives, (4) providing the means for carrying them out, (5) recognizing that educational quality is achieved in various ways for different goals, and (6) holding institutions and programs accountable for achieving them. In the current context of change, determination of quality should involve the following:

Qualitative reassessment

a. *Qualitative reassessment of postsecondary education.* Qualitative reassessment of needs, functions and social objectives of postsecondary education in the state may lead to some surprising results. It may, for example, indicate that there are too many institutions or programs of a particular type to perform their current functions effectively in terms of critical mass of faculty, students or resources. It could even indicate that some institutions or programs no longer serve any important function and thus are qualitatively irrelevant. It may also reveal that certain critically important functions are not being served at all or are served in counterproductive ways, as in some off-campus programs where educational objectives are subordinate to body count.

b. *Adequate diversity of programs.* Educational quality and diversity are directly related. As a result, a postsecondary education system will be qualitatively deficient without adequate diversity of programs and institutions to meet the real needs of society and the state. Thus an institution is qualitatively deficient, regardless of the recognized caliber of its individual departments or programs, if it accepts students with an inadequate background and neglects to provide the necessary preparation. In regard to particular institutions and programs, the relation of educational quality to functional diversity means that institutions and programs should not be invidiously compared with each other on unrealistic bases. Rather, one can expect and demand the highest quality in an adult, vocational or remedial program just as one does in medicine, professional education, law, arts or sciences areas. Planning for educational quality in the 1980s must be statewide, institutional and programmatic.

Diversity of programs

c. *Reassessment of graduate programs and research.* The relationship of so-called national universities or institutions, graduate programs and research to the state where they reside should be reassessed in the light of the goal of academic quality. The major graduate and research institutions within the state are among the least likely to be seriously affected by enrollment decline. Their missions for the 1980s must be carefully defined in terms of their contributions to the national scene as well as the states and to the mutual benefit such institutions provide among states. Such institutions should not perform functions better accommodated by community colleges and regional universities, but effective planning should be provided for articulation and transfer to them from other types of institutions.

Graduate programs

For graduate and professional education, regional and interstate planning and cooperation through interstate compacts or other multilateral bases can be explored to strengthen centers of quality, to reduce duplicated and weak programs and to develop reciprocity for unique high-cost programs. Independent institutions also can be included in the planning for more effective graduate and professional work. However, this may be difficult on a formal basis except in states like New York where the regents are responsible for program approval and evaluation in independent as well as public institutions. Given the current and projected surplus of doctorates in certain fields in addition to the enrollment and fiscal projections, expensive graduate education may need to be concentrated in most states in fewer high-quality university centers.

Research constitutes a special area of concern that is directly related to the reevaluation of educational quality. As with graduate and professional education, it requires critical masses of expert faculty, research professionals and other resources. While no faculty member at any institution should be blocked from pursuing research essential to one's professional development, planning for the 1980s will need to concentrate organized research in the major research institutions. The same caveats related to graduate and professional education should be applied. Both state and national interests are likely to be better served by fewer first rate university research centers than by a larger number of institutions without adequate staff or funding.

Research

3. *Determination of Role and Scope or Mission*

Role and scope also is an important aspect of educational quality, correlating institutional mission with the needs, functions and objectives of postsecondary education in the state. Determination of role and scope involves translating goals and objectives into specific institutional missions, which is critical to any form of the planning process. In a broad sense mission for public institutions is usually decided in basic legislation or in some instances in the state constitution. However, such legislative statements of mission tend to be too

Importance of role and scope or mission general, lacking the specificity essential to planning for the period of limited resources expected in this decade.

In the recent past there have been two approaches to determination of role and scope. In one, many institutions developed their own mission statements within boundaries set by law and with the state agency's suggestions of modifications for institutional compatibility. In the other, the state agency, usually with the involvement of the institutions, formed mission statements with a view toward complementation of institutions within the system in meeting identified state needs. While these two approaches are not mutually exclusive, a combination of the two may be essential in statewide planning for the 1980s:

Statewide perspective

a. *Need for a statewide perspective.* The statewide board is frequently charged with the responsibility for preventing unnecessary duplication and overlapping functions that are not justified by geographical or service reasons. It is also charged with insuring that effective allocation or reallocation of resources takes place to meet determined educational needs and to enhance quality. Accordingly, there are dimensions of the planning process and especially of role and scope that transcend individual institutional concerns. From this standpoint it is critical that the state board and institutions work closely together but that the institutional perspective be balanced by the board's statewide perspective.

Change of missions

b. *Change of missions.* Some institutions may have to change or modify radically their missions in order to survive. Moreover, if an institution is to play a responsible role in its determination of role and scope, careful analytic self-study becomes crucial. In effect, there is a tension between need for flexibility to adapt and need for specificity in role assignments. Without an accurate picture of institutional capabilities, resources and markets and without translation of these in terms of specific objectives, development of statements of role and scope is likely to be inadequate and ineffective.

4. *Involvement and Legitimization*

Legitimization

The history of statewide planning has made clear the ineffectiveness of statewide plans developed without the full involvement or participation of the affected institutions and communities. An important advantage of the planning process is the opportunity to bring together the participant institutions and groups (1) to develop an understanding of issues, (2) to move toward consensus where this is possible and (3) to develop a clearer understanding of the reasons for recommendations and actions even when consensus may not be possible. As noted previously, the planning process in this decade will be complicated by the number and types of institutions and groups that must be involved. This may slow down the planning process. On the other hand, it may call for more pragmatic planning in which different issues and groups are addressed either on a priority basis or as the situation, including crises, dictates. Regardless of the approach, institutions and groups — including representatives of the legislature and the executive office — must be informed of and involved in the decision-making process through advisory groups, task forces or special working committees. In many instances and on particular issues public hearings also may be needed. From the institutional standpoint such actions will require time and effort on the part of the administrative staff and the faculty; however, the institution's future, self-interest and even survival may well be dependent upon successful involvement.

5. *Implementation*

Implementation

Too frequently planning has been carried out without much relationship to budgeting or program review. However, practical implementation of planning requires translation of the plan into budget development and appropriation allocation, program review vis-à-vis planning objectives and administrative oversight. With this approach, institutional involvement in the planning process and in its implementation will occur. Also for this reason, programmatic forms of budgeting,[3] which have been widely discussed but not very well implemented, are likely to receive increased attention in the future.

E. Recommendations for Planning in the 1980s

The number of states with higher education agencies involved in master planning increased significantly during the past decade from 61 percent in 1972 to 93 percent in 1978.[4] Thus almost every state has an agency that must face the changed environment for planning in the 1980s, including changed legal and executive mandates. Political support for retrenchment planning from both the institutions and the legislative and executive branches of state government may be hard to maintain, as some investigators argue.[5] There is little experience with this kind of planning, so the political dynamics are not well understood. Planning for the 1980s will not be easy. It will have to deal with the problems and conditions occasioned by variable enrollment, restricted financial resources and changing student clientele and needs. Among the central policy issues and recommendations are the following:

Legislative authorization

*1. *Planning for changing conditions should begin as soon as possible — particularly in relation to possible retrenchment, including closings or mergers and changes in missions. If legislative authorization is necessary through change in the functions and processes of existing boards to strengthen such planning, it should be considered immediately.*

Reassessment of goals and objectives

*2. *Planning should involve basic reassessment of the goals and objectives of postsecondary education in the state in light of changing circumstances and issues.* Visible and agreed upon methods of reassessment of goals and objectives must be developed that can be applied as enrollments change and programs must be reallocated. Adequate information systems to substantiate planning, which now are only partly developed, need to be completed and the information generated effectively utilized.

Change in institutional mission

*3. *Planning is more of a participatory policy process than a regulatory or control process. Therefore change in institutional mission will require broader involvement, greater integrity and more assurance of institutional participation than has been characteristic of the recent past in various states.* Involvement in and understanding of the planning process by institutional leaders and faculty, by the governor and by the legislature and its staffs will be essential for carrying out consolidations, developing new roles and modifying missions and size of some public colleges and universities.

Adjusting planning to changing conditions

4. *Comprehensive planning adjusted annually to changing conditions is likely*

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[3] For further discussion of programmatic forms of budgeting, see Chapter VI, p. 71.

[4] Aims C. McGuinness, "Intergovernmental Relations in Postsecondary Education: The Case of the 1202 Commissions" (Ph.D. dissertation, Syracuse University, 1979).

[5] John Folger, "The Turning Point: Will State Government's Relation to Higher Education Change?" *Handbook for Institutional Planning and Research*, ed. Marvin W. Peterson (San Francisco: Jossey-Bass Publishers, forthcoming).

*Included in the Education Commission of the States (ECS) 1979 policy recommendations adopted at the ECS annual meeting, August 1979. Full text of the *ECS Policy 1979 Recommendations*, Publication No. P4, may be obtained from the Education Commission of the States, Suite 300, 1860 Lincoln Street, Denver, Colo. 80295 ($1.50 each copy).

to be far more effective than a master plan that is revised every 5 to 10 years. Comprehensive planning should combine long-range and short-range planning (or strategic and tactical planning) in a process led by the state postsecondary or higher education agency. In such planning experts from the postsecondary institutions and from other states can be helpful as can representatives of both legislative and executive branches of state government and citizens and representatives of various interest groups. Institutional capabilities in planning should be strengthened and utilized along with those of the state agency. For acceptance and implementation of the planning process, involvement of the institutions and of the political and academic communities is essential to create understanding of the issues, alternatives and results.

Objective data

*5. *Planning for decreasing, increasing, or variable enrollments, retrenchment and change in mission should be based on objective data and criteria rather than a priori judgments or political concerns.* Consolidation, demise or retrenchment of institutions and programs should not result in universal mediocrity but in reinforcement of quality regardless of level or type of institution or program.

Independent institutions

*6. *Policy in relation to independent institutions should be explicit, including the manner and conditions by which the state provides or does not provide aid for independent institutions.* If a state does not have such a policy, it should develop one and the independent and public sectors both should be involved.

Institutional flexibility

*7. *State planning should resist pressure to increase centralization of management and detailed regulation of institutions.* The results of planning must be developed as clearly formulated policy, criteria and parameters so that the institutions continue to have flexibility in management of internal operations.

Changing student clienteles

*8. *Because of changing student clienteles, planning should consider the special needs of all students, including part-time students, adults, minorities and women. Even with changing resources and enrollments, these groups will play a progressively larger role in the postsecondary education scene.* The planning process must take this into account and provide for the coordination and mutual reinforcement among institutional activities and efforts to meet the needs of such students, including reallocation of scarce dollars if necessary.

Adult education

9. *The state through the state postsecondary education agency has a responsibility to serve as a catalyst to bring more order and higher standards into adult education.* A statewide plan for cooperative development of lifelong learning opportunities for all interested citizens should be an integral part of overall state planning for postsecondary education. Planning efforts should include inventories of resources, involve concerned groups in the planning process and identify major areas of need and concern. The latter applies particularly to those of the minority communities, which require plans developed to meet their special needs. The plan should relate adult and continuing education to institutional role and scope. Also an effective information and counseling service should be developed for adults on a statewide basis.

Participatory process

10. *Statewide planning for special groups should be developed as a participatory process. It should involve all the client and employer groups — such as business, industry, labor, social agencies, community agencies and libraries — and should include vocational and occupational education along with professional education and elementary/secondary education.*

- Plans should identify particular roles for vocational schools, community colleges, four-year institutions, research universities and professional schools. They also should assess areas of cooperation and specialization among the various types of institutions involved.

- *Statewide planning for postsecondary education must be closely articulated with elementary/secondary education. In many critical areas the educational sequence is a continuum where effective planning and action on the postsecondary level is dependent upon efforts in elementary/secondary education. In states where an effective liaison does not exist between elementary/secondary education and postsecondary, it should be developed immediately.

Planning related to budget development and program review

*11. *Effective planning must be integrally related to budget development and program review for these are the primary instruments of planning implementation.* Planning should provide the guidelines with which budget development occurs and the rationale for review of new and existing programs.

Interstate and regional opportunities

*12. *Statewide planning should be reinforced by interstate and regional opportunities for program coordination and cooperation.*

III. Evaluation and Appraisal

A. Introduction

Higher priority for evaluation and appraisal

In the 1980s the area of evaluation and appraisal is likely to be intensified and to assume a higher priority than previously. The role of the states in determining quality of postsecondary education has been minimal in most states in the past and only a few states have had a formal process for such evaluation. Although state concern is not new regarding assurance of minimal quality through licensure of postsecondary education institutions, the evaluation function will likely take on a different dimension for this decade. Accelerating competition for students, changing student clienteles, increasing off-campus and out-of-state operations and a variety of nontraditional modes of educational delivery may make it harder to determine whether educational quality is being maintained, lowered or improved.

Methods of statewide evaluation and appraisal

States exercise their responsibility for determining the quality and credibility of postsecondary education in various ways. First, most states license, charter or authorize institutions to operate and to grant degrees. To receive such authorization institutions must meet minimum operating standards as determined by the state. Second, most state coordinating and/or governing boards in cooperation with the institutions have the responsibility to determine the appropriateness of public institutions' role and scope or mission. Third, in the majority of states such boards must review and approve new programs; in an increasing number of states they are called upon to review existing programs. These reviews involve assessment of need, availability of resources, relevancy to role and scope and assessment of quality. Fourth, a few state boards also assess the overall effectiveness of public institutions in a manner similar to evaluations performed by voluntary accrediting agencies. Fifth, states are also beginning to call for systemwide accountability or the development of accountability systems. Sixth, in a few states provision is made for periodic reviews of the statewide board or agency itself either directly or through review of the executive director.

Growing concern for quality

In order to illustrate the increased awareness and growing importance of evaluation and appraisal in statewide coordination and governance, this discussion considers the ways in which states have assessed or evaluated postsecondary education and offers recommendations for future improvement.[1] Although the extent and inclusion of these types of assessment vary among the states, each method of evaluation and appraisal indicates the growing concern for quality education in the 1980s.

B. Authorization of Institutions to Operate

Presently the majority of states exercise their authorizing function, which is both basic and minimal, in various ways. All states incorporate or authorize nonpublic institutions to operate and grant degrees. While in some states this amounts to little more than formal incorporation that may be granted by the secretary of state, other states have authorizing legislation and agencies for enforcement. The legislation and regulations usually require minimal conditions of operation including evidence from an institution of fiscal integrity, of ability to carry out its educational functions and of protection of students against fraud, abuse, misleading advertising and submarginal operations. In most cases such overview involves initial authorization and periodic review, frequently at one- or two-year intervals. For existing institutions a number of states have accepted accreditation by a regional institutional accrediting agency as evidence that an institution is continuing to meet state authorizing conditions. However, additional information and interim reports may be required, because accreditation visits usually are spaced at wider intervals than state authorization renewal and because in certain types of institutions conditions may change rapidly — including ownership in the case of proprietary institutions.

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[1] See Chapter II, pp. 25-26, for a discussion of role and scope or mission; program review is the subject of Chapter IV.

1. *Current Types of Agencies and Functions*

Variation among authorizing or oversight agencies

The locations and functions of these authorizing or oversight agencies, independent degree and proprietary nondegree, vary considerably because of historical development and because different agencies within the state were created to deal with specific problems (see Table III). A number of special agencies within states are concerned with approval of courses and institutions and with eligibility for federal funds. Since the Serviceman's Readjustment Act of 1952, all states have agencies for veteran's approval that may or may not be related to the basic licensure and oversight agencies. Nine states approve public vocational education programs for eligibility for federal funds and this is usually done by the state vocational agency. In nursing education the responsibility for approval of programs rests with the state board of nursing. Except for New York such nursing boards are not integrally related to other agencies with general oversight functions. The movement toward coordination or consolidation of state oversight and approval functions as these relate to different types of institutions and programs has been relatively recent and not particularly widespread.

Table III

Agencies Currently Responsible for Authorizing or Licensing Independent Degree-Granting and Independent Nondegree and Proprietary Institutions

Type of Agency	Degree-Granting Institutions	Nondegree and Proprietary Institutions
State Coordinating or Governing Board	24	3
State Department of Education	15	29
Independent Board	5	11
Department of Occupational Education	0	4
Other Regulatory Agency	1	2
Total	45*	49

*Five states include degree-granting institutions under some circumstances within the nondegree-granting licensure provisions.

Source: Adapted from Steven M. Jung et al., *Final Technical Report, A Study of State Oversight in Postsecondary Education* (Palo Alto, Calif.: American Institutes for Research, December 1977), pp. 51-55.

2. *Reasons for Development of State Authorization and Licensing*

Development of authorization and licensing

State authorizing and licensing activity developed rather rapidly over the past two decades for several reasons:

Institutional expansion

- With the accelerated expansion of institutions in the late 1950s and in the 1960s, states and the academic community again became concerned with diploma mills as they had in the 1920s and 1930s.
- Since the Serviceman's Readjustment Act of 1952 that set conditions of

Eligibility for federal funds

institutional eligibility for federal funds either directly or indirectly through students, the first condition of an institution's eligibility for federal funds is legal authorization to operate within its state. A second condition is accreditation for quality of education or training by a voluntary accrediting agency or commission recognized by the U.S. Commissioner of Education.[2] State legalization or authorization is thus the precondition of accreditation and receipt of federal funds. In addition, in two special areas — public vocational education and nursing — the Commissioner of Education directly recognizes specific state agencies to determine eligibility with or without accrediting agency involvement.

Nontraditional postsecondary education

- The recent expansion of nontraditional forms of postsecondary education with different time frames, program structures and off-campus operations has created opportunities for unscrupulous operators to offer substandard programs in the name of experimentation. An additional concern has been the problems related to out-of-state institutions offering work within states through correspondence, branches, informal centers and military bases.

Consumer protection

- During the 1970s interest developed in protecting students as education consumers. In 1974 two national conferences on Consumer Protection in Postsecondary Education were held under the auspices of the Education Commission of the States (ECS). These conferences emphasized that students have the right to adequate information, to protection against false advertising and fraud, to due process, to adequate means of expressing their concerns and to reasonable refund policies.

Broadened education universe

- In the Education Amendments of 1972, Congress expanded the range of federal concern beyond higher education and degree-granting institutions in the traditional sense to postsecondary education. The education universe was broadened to include public, independent and proprietary institutions and programs ranging from extension, correspondence and short vocational skill programs to graduate and continuing education. Although the issues, problems and structure of the various segments of postsecondary education differ, the need for minimum operating assurances and protection of students applies to all.

Institutional accountability

- Growing state concern with accountability has extended to maintenance of minimal postsecondary education standards in all institutions offering programs to students. Because students in independent, and in some cases proprietary, institutions receive not only federal but state student assistance, institutions become accountable for the utilization of these funds. This includes insuring conditions of fiscal integrity, ability to provide educational services and truthful communication with students and prospective students.

3. *1970s Studies on Authorization and Oversight*

In the last decade several central studies and reports were made on authorization and oversight in postsecondary education. The conclusions and recommendations of four of them provide background on these same issues in the 1980s:

ECS model legislation

a. *ECS model legislation.* In 1973, to provide guidelines to states in developing effective legislation ECS developed model legislation on authorization of institutions to operate and to grant degrees. The model legislation suggests minimum standards for authorization and oversight, consolidation of authorizing activities in a single agency and licensure of recruiting agents. It calls for consideration of an institution's ability and means to reach its educational objectives; adequate, fair and accurate information for prospective

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[2] *U.S. Code,* Title 20, 1141, Higher Education Act of 1965, as amended, sec. 1201.

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students about involved objectives, costs and conditions; truth in advertising; and disclosure of relevant information.[3] The ECS model legislation has been utilized in 25 states to develop new laws, to modify existing laws or to serve as a basis for regulations under existing legislation.

b. *State-oversight activities.* In 1975-76 under a contract with the U.S. Office of Education (USOE), the American Institutes for Research (AIR) carried out a major study of state-oversight activities. The study found that state legislation and regulations for nondegree-granting institutions are more extensive than for degree-granting institutions.[4] Among the recommendations to the states included in the report are (1) the addition of consumer protection provisions to state laws for authorizing and oversight of independent degree-granting institutions including closer correlation of these with nondegree and proprietary laws, (2) the development of procedures that require independent and public schools domiciled out-of-state to meet the same licensing requirements of instate institutions, especially the degree-granting sector and (3) more effective communication among agencies within states and among agencies fulfilling similar responsibilities across states.

AIR recommendations to the states

c. *USOE eligibility process.* Almost concurrently with the AIR study, the General Accounting Office (GAO) was developing a report *What Assurance Does the Office of Education's Eligibility Process Provide?*[5] that was not published until 1979. Like the AIR study, it calls for greater reliance on the states for consumer protection, financial support to the states, encouragement of states to adopt strong authorization mechanisms, technical assistance to the states and the development of an effective information-sharing system.

GAO recommendations

d. *Institutional authorization and oversight.* In 1978 ECS and USOE cosponsored a conference on state postsecondary education institutional authorization and oversight, utilizing the results from the AIR study and preliminary recommendations of the GAO report. Clear recommendations were made for further strengthening of the role of the states in protection of the education consumer and in the eligibility process. The conference rejected, however, any direct federal intervention or control of state licensing and authorizing activities.[6]

Institutional authorization and oversight conference (1978)

4. *Problems of Control of Quality*

Minimal control of quality

Although state authorization involves both evaluation and appraisal, control of quality in the authorization process often tends to be minimal — only specifying basic conditions an institution must meet if it is to exist and operate in the state. Thus, judgments of quality relate to conditions of minimum effectiveness in the broadest sense; yet initial judgment will become increasingly crucial with changing enrollments and the concomitant pressures and competition to obtain and retain students. For the future the concern in relation to authorization lies less in the appearance of new institutions and more in maintaining minimal quality in existing ones.

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[3] *Model State Legislation: Report of the Task Force on Model Legislation for Approval of Postsecondary Educational Institutions and Authorization to Grant Degrees,* Report No. 39 (Denver, Colo.: Education Commission of the States, June 1973).

[4] Steven M. Jung et al.,*Final Technical Report, A Study of State Oversight in Postsecondary Education* (Palo Alto, Calif.: American Institutes for Research, December 1977), p. 5. According to the study 56 percent of the state laws or regulations are less extensive than the ECS model legislation or do not include the specific items in question. For independent degree-granting institutions the percentage drops to 46 percent. The report recommends that the USOE officially should encourage all states to enact and enforce legislation at least equivalent to the ECS model legislation.

[5] Report No. HRD-78-120 (Washington, D.C.: General Accounting Office, 1979).

[6] *State Postsecondary Education Institutional Authorization and Oversight,* Report No. 114 (Denver, Colo.: Education Commission of the States, October 1978).

Off-campus and out-of-state operations

Already the pressures for enrollments have created serious problems in off-campus and out-of-state operations that are likely to worsen as competition for students increases. Qualitative control of out-of-state institutions is sometimes handled by licensing or authorizing the recruiting agents of the out-of-state institutions. They are required to demonstrate that the institutions they represent meet the minimum state conditions. The problems relating to off-campus and out-of-state operations have arisen in the past because some of the institutions themselves do not exercise oversight and quality control of such programs, even when the home institution may be reputable or of high quality. Accrediting agencies, which normally deal primarily with institutions at their home base, encounter the same problem. Too frequently, faculty at off-campus operations are made up of whoever is available on location to teach part-time and differ substantially in qualifications from faculty at home; facilities such as libraries and laboratories may be inadequate to nonexistent; support services such as counseling may be minimal; the very distance makes close supervision difficult if not impossible. Such conditions do not characterize all off-campus and out-of-state operations, but enough occur to make this a serious matter for states and for accrediting agencies.

Need for uniform quality control

A number of states now require that operations by out-of-state institutions meet the state's own minimal requirements and be authorized as new institutions. This applies even when the home campus is authorized by another state or when it is accredited. The Council on Postsecondary Accreditation's recently completed study recommends not only that off-campus operations be clearly related to institutional objectives but that the same kind of quality control applies to them as to programs on the home campus.[7]

C. Evaluation and Accreditation of Institutions

Historically, with the exception of New York, states have not carried out evaluation and accreditation of institutions. General evaluation of institutions except for basic licensure and authorization has been provided by private membership accrediting agencies utilizing peer group review and accreditation for admission to membership. However, in the last two decades progressively more states have asked their statewide agencies also to include general review of institutional quality and integrity.

Involvement of statewide agencies in institutional evaluation

1. *Study of Boards or Agencies Involved in Institutional Evaluations*

A recent study by Garnet Birch documents the extent to which legislatively-directed or authorized state higher education boards or agencies are involved in accreditation or accreditation-like activities particularly of public senior institutions. Birch used nine questions taken from the literature of the Council on Postsecondary Accreditation as criteria to identify the types and extent of state agencies participating in accreditation. State higher education agencies were asked if they were responsible for (1) developing criteria and/or guidelines for the purpose of assessing the effectiveness of the institution in terms of curricula and instruction; (2) encouraging institutional self-study for the purpose of fostering improvement; (3) requiring a written report of the institutional self-study as part of the evaluation process; (4) visiting the institution as a part of the evaluation and/or accreditation process; (5) assessing the effectiveness of the entire institution in the light of its stated purposes

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[7] Grover Andrews, *Assessing Nontraditional Education* (Washington, D.C.: Council on Postsecondary Accreditation, 1978).

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and/or objectives; (6) assuring the education community and other agencies that the institution has met agency standards; (7) protecting the institution against encroachments that jeopardize academic freedom; (8) reviewing the institution when changes or problems of a serious nature arise that affect the institution as a whole; (9) providing counsel, advice and assistance to the institution in meeting agency evaluation and/or accreditation standards.[8]

Constitutional or legislative authorization

a. *Constitutional or legislative authorization.* Through use of a questionnaire with 100 percent state response and through analysis of state constitutions and statutes, Birch found that "14 state agencies are explicitly authorized by constitutional inclusion or legislative enactment to accredit the institutions under their jurisdiction."[9] These are Alaska, California, Connecticut, Idaho (teacher training institutions only), Kansas, Maryland, Mississippi, New Jersey, New York, Oklahoma, Pennsylvania (for state-owned colleges only), Rhode Island, Vermont (state college board for state colleges only) and West Virginia.[10] Although the extent to which the states in question exercise accreditation varies, the list is impressive and in seven of the states — Connecticut, Kansas, Maryland, Mississippi, New York, Oklahoma and West Virginia — the statute or constitution clearly includes accreditation of all public and independent postsecondary institutions.

Extent of state agency responsibility

b. *Extent of responsibility.* Perhaps even more impressive is the finding in Birch's study that a majority (28) of state higher education agencies reported they are responsible, at least in relation to public institutions, for five or more of the nine criteria in the questionnaire.[11] In a number of instances the basis for these responsibilities lies not in specific legislation or constitutional mandate but in the general charge to the agency and/or in agency policy. Seven state agencies reported responsibility for all nine elements (Georgia, Hawaii, Connecticut, Oklahoma, Pennsylvania, Vermont and Virginia); eight agencies for eight of the elements; and five agencies for seven of the elements. These include governing board as well as coordinating board states. Of the nine elements the item most frequently missing was not, as might be expected, self-study but was the required written report of the self-study. However, 17 state agencies require such a written report.

Increased state agency activity expected

c. *Increased activity in institutional evaluation.* Clearly, state agencies to a far greater extent than is sometimes assumed are engaged in general institutional evaluation of public institutions and in some instances of the independent institutions within the state. Such evaluation is beyond the level of licensure and authorization or program review. This activity probably will increase because of the enrollment situation, issues of competition and retrenchment, public concern with quality and particularly the relevance of quality to statewide planning. The increased involvement also is supported by the Birch study. A majority of the state higher education agency executives, including some from states not involved in such evaluation at the present time, have expressed the opinion that responsibility for some or all of the nine criteria would be initiated or increased in their states.

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[8] Garnet Birch, "State Higher Education Agency Responsibility for the Evaluation and Accreditation of Public Four-Year Institutions of Higher Education" (Ph.D. dissertation, University of Arizona, 1979), pp. 10, 42-43, 180. See *The Balance Wheel of Accreditation* (Washington, D.C.: Council on Postsecondary Accreditation, undated).

[9] Ibid., p. 172.

[10] Mississippi has a separate commission on college accreditation. Such authorization for accreditation or institutional evaluation is limited in Idaho, Pennsylvania and Vermont to a restricted group of institutions. In a few cases, e.g., Alaska, the authority relates more to licensure and authorization than to accreditation in the full sense.

[11] Birch, p. 173.

2. *Relationship to Private and Regional Accrediting Agencies*

The involvement of state agencies in accreditation raises fundamental questions of the relation between them and the private, particularly the regional, accrediting agencies. To what extent, for example, are state and accrediting agencies duplicative or complementary? The concern for quality determination and improvement is clearly common to both and tensions are evident between accrediting agencies and state agencies. That they can complement each other and work together is also the case. For example, the Maryland Board of Higher Education has recently entered into an agreement with the Middle States Commission on Higher Education to conduct joint evaluations, including site visits. The agreement specifies areas of joint and separate concern and how each shall deal with the results as related to separate and joint interest.

State agency evaluation and voluntary accreditation

a. *Differences between state agency evaluation and private agency accreditation.* There are, however, real differences in the functions, procedures and results of state agency evaluation and accreditation by private membership organizations. The latter are essentially associations of institutions concerned with institutional quality and welfare rather than with the relation of institutions to the system of postsecondary education in the state. Some of them have become much more sensitive to state concerns than in the past and, as noted in the case of Middle States, have even entered into cooperative arrangements with state agencies. However, institutions remain their primary constituents. Consequently, while the results of the accreditation process are made public — for example, whether an institution is accredited or not or whether accreditation is withdrawn — accreditation reports are usually considered confidential. They can be released only by the institutions themselves if the institution president so desires.

Difference in perspective

State higher education agencies must in most cases operate in public and are responsible to the legislative and executive branches of state government and to the general public as well as the institutions. State agencies also must consider not only institutional goals but statewide and systemwide goals and their relations to each other. In the past this difference in perspective has been a source of contention. Accrediting organizations have not always considered the relation of particular institutions or branches to the system of which they are a part. Institutions have sometimes used accrediting reports as leverage to gain advantages not necessarily harmonious with system goals. These obstacles to cooperation have more recently been ameliorated and in some instances overcome.

Comparative institutional evaluation

b. *Comparative institutional evaluation* Another aspect of state institutional evaluation that is likely to play an increasingly important role is comparative quality assessment. This function also differentiates state institutional evaluation from private accreditation. Private accrediting agencies, as noted, do not distinguish among accredited institutions. On the other hand, state agencies faced with issues of planning, appropriations, consolidation and retrenchment are in the position of making comparative as well as individual institutional judgments. From this standpoint state agencies are likely to be far more concerned with preserving and strengthening quality within the entire system commensurate with available resources. Consequently, such evaluation may be the basis for change in institutional mission, program revisions or eliminations and even, in the years ahead, with possible consolidation or elimination of institutions.

D. Systems of Accountability

Development of systems of accountability reflects the increased concern during the past decade for accountability in postsecondary education by executive and legislative branches of state government and by the general public. Although higher education institutions have always been held accountable in terms of fiscal audits for the use of public funds, the concept of accountability now involves educational effectiveness in terms of outcomes and effective use of all resources to attain educational objectives. Because of the juxtaposition of a period of expansion with one of contraction and the ensuing changes, concern for accountability in postsecondary education promises to increase further in the 1980s.

1. *Approaches to Accountability*

Approaches to accountability

States have tried a number of approaches to accountability not only in relation to postsecondary education but for various areas of state operation. These include "sunset" legislation, performance audits and evaluation within the budgetary cycle.

"Sunset" legislation

a. *"Sunset" legislation.* The enactment of "sunset" legislation usually is directed to noneducation agencies but, for example, in part it has been applied by the Colorado Legislature to its Commission on Higher Education. Such legislation requires periodic evaluation of agencies of state government and legislative decisions as to whether these agencies should be reauthorized, modified or terminated. This approach, while it might be applied to statutory state higher education coordinating agencies, is hardly a feasible one for institutions or for constitutionally-based coordinating or governing boards.

Performance audits

b. *Performance audits.* A second approach lies in conducting performance audits of public agencies and institutions. Such audits have been conducted in about half the states; a few states have included all or parts of higher education in their audits. Performance audits are generally designed to determine whether legislative intent is being followed. In higher education, authorizing legislation is usually very general, frequently having been enacted many years earlier. Establishing legislative intent under such conditions is extraordinarily difficult except as related to current or immediately past appropriations. As a result, performance audit is likely to become a comparison of the auditor's educational judgments with those of educators and college officials. An audit will not be an effective procedure unless it is based on agreed-upon accountability objectives and evaluation prcedures and is carried out by educationally knowledgeable persons.

Evaluation within budgetary cycle

c. *Evaluation within the budgetary cycle.* A third approach is to utilize evaluation as part of the budgetary cycle. Zero-based budgeting and other planning, programming, budgeting and evaluation systems (PPBES) in theory provide for an evaluation that is the basis for budget recommendations for the subsequent cycle of appropriation. In practice, these "performance" budgets have not put much emphasis on the evaluation part of the cycle. The new systems produce requests in new forms, but they are usually evaluated through traditional budget negotiations. The potentiality for accountability of the budgetary approach to evaluation has been largely unrealized partly because the objectives have not been clearly developed and agreed upon in advance.

2. *Accountability Systems as Alternatives to Increased Centralization and Control*

For the 1980s the development of an effective accountability system may be the only realistic alternative to increased centralization and control. Evidence to date seems to indicate that preserving institutional diversity and at the same time achieving state educational goals can best be facilitated by assigning responsibility to institutions and holding them accountable for reaching state objectives. Goal setting, as noted in the previous chapter, is extraordinarily complex and in some areas closure or consensus in relation to goals may not be possible. In those areas in which goals can be identified with some degree of specificity, they constitute about the only basis on which educational effectiveness can be gauged and with which indices can be developed in relation to achievement.

Goal based accountability system

3. *ECS Task Force Report on Accountability*

A recent report of the Education Commission of the States' Task Force on Accountability in Higher Education to the State offers a comprehensive definition of accountability:

> *A concept and process that involves setting goals for higher education, measuring progress in relation to those goals and reporting to the people of the state, through the responsible state authorities, the degree of attainment of educational objectives.*[12]

Approach or process

It also recommends that each state should provide for such accountability and should do so through an approach or process that includes four steps:

1. The establishment of state goals for higher education in enough detail so that they can serve as accountability objectives;
2. The clarification of the respective responsibilities of institutions, state agencies and officials for goal achievement;
3. The development of an evaluation procedure for systematically measuring or assessing progress toward the goals; and
4. Provision for public reporting of the results of the evaluation, with provision for indication by the responsible agencies, officials and institutions of steps that they will take to eliminate any deficiencies identified.[13]

Other recommendations

Other task force recommendations include the following:

- The accountability process should include assessment of state actions as well as institutional actions in relation to the achievement of educational objectives.
- The establishment of statewide educational goals is essential to the accountability process and must involve all relevant state and institutional representatives.
- In establishing an accountability process it is necessary to develop procedures for periodic assessment of progress toward state educational goals. Wherever possible multiple measures, supplemented by expert judgment, should be used in such assessment. In this area program and institutional evaluation and accreditation should be utilized as an integral part of the total accountability process.
- The accountability process must provide for reporting the results of the assessment to the governor, legislature, education officials and the general public.
- If an accountability process is to be effective the state should provide adequate rewards and sanctions to encourage achievement of goals.

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[12] *Accountability and Academe,* Report No. 126 (Denver, Colo.: Education Commission of the States, July 1979), p. 2.

[13] Ibid., pp. 3-4.

- There should be clear designation of responsibility of the appropriate state agency or agencies, including the executive and legislative branches of state government, for conducting the accountability process. Particular care should be taken to insure enough impartiality and objectivity so that the assessment will be credible with the public, with state officials and with educators. Advocacy must be kept separate from the accountability process.[14]

Such an accountability system applies most clearly to public institutions. To the extent that independent institutions receive state funds or participate in the planning and goal-setting process, it should apply to them as well.

E. Evaluation of State Higher Education Agencies

Evaluation of statewide agency

Clearly, evaluation and appraisal of postsecondary education at the state level is complex and can occur at a number of different levels. The state higher or postsecondary education agency, whether a coordinating or a governing board, is in the midst of evaluation and appraisal whether or not it has primary responsibility for particular evaluation levels. Further, in the concept of accountability the state agency itself also may be subject to formal evaluation.

1. *Legislative Provision for Periodic Evaluation*

Periodic evaluation in one state

Currently one state provides by law for periodic evaluation of the state higher education agency. The 1969 legislation establishing the Alabama Commission on Higher Education provided that "during the last year of each gubernatorial term, the Commission shall appoint a committee of at least three consultants who are not associated with higher education in this state to evaluate the effectiveness of the work of the Commission and to recommend changes as needed."[15] To date the Alabama Commission has undergone two evaluation cycles. The first special evaluation committee was appointed in 1974 and reported in April 1975. The second was appointed in 1978 and reported in March 1979. The first evaluating committee consisted of four persons from Alabama not formally associated with higher education and three persons from out-of-state highly knowledgeable in various areas of higher education. The second committee increased each group by one member. Both chairmen have been distinguished Alabamians and the vice chairmen have been from the out-of-state members of the committee.

In both instances the committees have reviewed the legislative and other charges to the Alabama Commission on Higher Education, the activities of the commission and the major problems or issues facing the commission and higher education in the state. They also have made recommendations both to the legislature and to the commission. Both committees found that within the limited powers granted to it by law and the resources made available, the commission was performing creditably. However, each of the committees recommended strengthening and clarifying the law and strengthening the planning activities of the commission. The recommendations have been helpful both to the commission and to state authorities. Following the most recent evaluation the legislature has strengthened the commission's role in program review and in control of off-campus and out-of-state operations.

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[14] *Accountability and Academe*, p. 4.

[15] Alabama, Law No. 14, Special Session, *Acts of Alabama*, vol. 1 (1969), p. 28.

2. *One-Time or Ad Hoc Evaluation or Review*

One-time or ad hoc evaluation or review

Although Alabama is the only state with mandatory periodic review of a state higher education agency, other states have undertaken evaluation or reviews on a one-time or ad hoc basis. In some cases a consulting firm has been hired to review higher education in general but with special emphasis on the governing or coordinating structure. The Academy for Educational Development, for example, has conducted such reviews in West Virginia, Mississippi and Florida.

In other states special one-time commissions on governance and structure have been established either by the legislature or the governor to review current practices and recommend changes. Since 1970 at least 18 states have established one or more of these special study commissions. The 1976 Rosenberg Commission in Maryland recommended major changes; most were adopted by the legislature, including replacing the older Council for Higher Education with a considerably strengthened Board for Higher Education. During about the same period a Governor's Commission on Higher Education in Michigan and the Wessell Commission in New York had little impact on either state. Since 1970 the legislature in at least seven states has established special legislative commissions to evaluate similar issues. In 1979 the Massachusetts Legislature established a legislative commission on higher education reorganization, which, however, was superseded by legislative action. In addition there are states in which the coordinating or governing board has been the authorizing body for special study commissions, examples being Illinois and Oregon.[16]

Legislative audit agency

A few states have utilized a legislative audit agency (similar to the federal General Accounting Office) to evaluate higher education operations. This approach was attempted in Wisconsin and was carried out in South Carolina. In 1977 the South Carolina Legislative Audit Commission undertook a specific evaluation of the South Carolina Commission on Higher Education. For this review the Commission developed a rather elaborate set of criteria in such fields as planning, budget review and program review. The report issued in 1978 did lead to some restructuring; however, it tended to be less effective than it might have been because it primarily emphasized negative findings.

3. *Objective Review of Planning Framework*

Periodic review of planning framework

As early as 1971 the Task Force of the Education Commission of the States on Statewide Planning for Postsecondary Education[17] urged periodic reevaluation of the viability of the planning process by persons not connected with the planning agency or institutions. The objective review would avoid uncritical acceptance by the planners concerned with the substance of planning assumptions, existing structures and the current process of planning. Such review of the planning framework would involve assessment of the adequacy of any existing board from the standpoint of its planning function and could easily, as in Alabama, be extended to general board evaluation.

University of Missouri task force criteria

a. *University of Missouri Task Force.* In 1972 the University of Missouri set up a task force to recommend a pattern of statewide coordination and governance. This task force developed a series of process criteria for evaluating statewide boards. These included some 13 items organized under "General," "Influences," and "Administrative" as follows:

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[16] Statistics from an unpublished report to the Education Commission of the States, Janet Rogers Clarke, 1980.

[17] *Comprehensive Planning for Postsecondary Education,* (Denver, Colo.: Education Commission of the States, 1971).

- General: (1) Program Control, (2) Resource Allocation and Use, (3) Long-Range Planning, (4) Assessment of Responsibility and (5) Comprehensiveness of Purview.
- Influences: (6) Institutional Autonomy and Influence, (7) Lay Representation and (8) State Government Influence.
- Administrative: (9) Span of Control, (10) Cost of Bureaucracy, (11) Processes of Bureaucracy, (12) Responsiveness and (13) Agency Staffing.[18]

It is rather clear that not all of these are mutually reinforcing and the Missouri report gave no key to priorities among them.

Literature on state board evaluation

b. *Literature on evaluation of state boards.* In 1975 Robert Berdahl edited a volume in the New Directions for Institutional Research Series, *Evaluating Statewide Boards*, which includes contributions by some 11 authors. The volume contains many valuable insights particularly in the introduction and summary by Berdahl and the chapter on evaluating planning by statewide boards by Patrick M. Callan. Nevertheless, the general impression is that the act of evaluating statewide boards is in its infancy and that one of the crucial problems is the type of criteria that should be applied. J. Gilbert Paltridge has developed for the Association of Governing Boards a series of self-evaluation guides including one for coordinating boards; however, to date these have not been extensively used.

Alabama report

c. *1979 Alabama report.* The problem of criteria and the basis for evaluation is illustrated in the 1979 Alabama report. In an appendix on the problem of criteria the report states:

> Evaluation of a statewide coordinating board can take any or all of three routes: An assessment of the extent to which the board in question was effective in discharging its *assigned responsibilities* with its *assigned powers* (however inadequate either or both of these may be), a comparison of board performance with that of some *ideal national model*, or an attempt to estimate the board's probably future effectiveness in the face of the *particular conditions and problems* facing higher education in that state.[19]

No "ideal national model"

The report goes on to say that the committee based its findings largely on the first and third alternatives. The difficulty with the second alternative is that there is no "ideal national model," because of the variance among the states and among the legislation authorizing and charging the various boards. The report even states, "The committee found no pre-existing sets of formal criteria evaluating statewide coordinating boards to be entirely applicable to the particular conditions existing in Alabama."[20] This may well be the case for all other states.

In contrast to the approach of the Alabama committee a consulting firm has prepared a report for another state. A large part was devoted to an extended discussion or "conceptual framework" of the nature and functions of governing boards and coordinating boards. One gets the distinct impression that the report on that particular state agency was fitted more to these models or the "conceptual framework" than to the unique problems and issues of the state in question.

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[18] Task Force on State Level Coordination and Governance of Higher Education, *The Report to the President of the University of Missouri* in *Evaluating Statewide Boards*, New Directions for Institutional Research, no. 5, ed. Robert O. Berdahl (San Francisco: Jossey-Bass Publishers, Spring 1975).

[19] *Alabama's Challenge: Higher Education for the 1980s.* Report of the Second Committee to Evaluate the Effectiveness of the Alabama Commission on Higher Education (March 1979), p. 61.

[20] Ibid., p. 5.

Increased evaluation of state agencies

e. *Evaluation of state postsecondary agencies probably to increase.* Undoubtedly the state agency should be an integral part of the accountability system; evaluation of the state agency should be related to state goals for higher education vis-a-vis the functions of the agency. Concern with evaluation of state agencies unquestionably will increase. Colorado has placed its Commission on Higher Education under sunset provisions that will require evaluation and rejustification in 1983. New Jersey reviews the chancellor every five years and by implication the Board of Higher Education. In a sense, renewable contracts for executives of higher education for a specified number of years point in this direction, as in Florida, New Jersey and Ohio.

F. Recommendations for Evaluation and Appraisal

In the final year of the last decade the recognition of the vital importance of evaluation and appraisal for the 1980s emerged strongly among those concerned with the future of higher education. For example, in 1979 the 56th American Assembly examined the integrity of higher education in light of the apparent erosion of public confidence in higher education, the reduced consensus of what constitutes legitimate higher education and the probable decline of financial resources and enrollments. This national forum emphasized that "failure to address the problems forthrightly and imaginatively will have serious negative effects on the integrity of universities and colleges."[21] Also in 1979 a report of the Carnegie Council on Policy Studies in Higher Education studied the proper ethical condition of higher education, commenting about rights and responsibilities of institutions and students and appropriate actions for the regional accrediting associations, the federal government and the states.[22] Clearly, the role of the states in overseeing the quality and credibility of postsecondary education is more crucial than ever.

The following recommendations are offered in relation to the various methods by which states assess or evaluate postsecondary education and within the context of the changed conditions for the 1980s:

Essential policy considerations:

1. In view of the growing concern with minimal quality and consumer protection through authorization and licensure, the following are essential policy considerations for state authorization of institutions to operate:

State oversight of all education

*a. *Each state has a fundamental obligation to students, institutions and the general public for the oversight of all education within its borders including the prevention of fraud and abuse and elimination of submarginal institutional operation.* Recognition that state authorization of institutions to operate is fundamental leads at once to the understanding that it must be the precursor both to federal funding eligibility standards affecting institutions and to voluntary institutional accreditation.

*b. *All states should establish minimum standards for authorization and*

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[21] The American Assembly, *The Integrity of Higher Education* (New York: Columbia University, 1979), p. 4.

[22] *Fair Practices in Higher Education: Rights and Responsibilities of Students and Their Colleges in a Period of Intensified Competition for Enrollments* (San Francisco: Jossey-Bass Publishers, April 1979). In this report among other recommendations directed to the states is the recommendation, p. 73, of adoption of minimum standards presented in ECS model legislation.

*Included in the Education Commission of the States (ECS) 1979 policy recommendations adopted at the ECS annual meeting, August 1979. Full text of the *ECS Policy 1979 Recommendations*, Publication No. P4, may be obtained from the Education Commission of the States, 1860 Lincoln Street, Suite 300, Denver, Colo. 80295 ($1.50 each copy).

continued operation of all postsecondary institutions that will protect prospective students from fraudulent practices and educationally ineffective programs.

Protection of prospective students

*c. *Standards for educational operation should be high enough to assure citizens and the state and federal governments that all programs — public, independent and proprietary, operated by institutions in- or out-of-state — provide students a legitimate educational opportunity.* These standards must allow for a wide range of institutional and program diversity and innovation.

Legitimate educational opportunity

*d. *The standards adopted by the states for authorization should be at least equivalent to the guidelines provided in the model legislation developed and approved by the Education Commission of the States in 1973.*

Model legislation standards

*e. *Responsibilities for authorizing postsecondary institutions to operate ideally should be placed in one office, agency, board or commission within the state and that agency should be adequately funded to carry out its responsibilities.* However, where two or more agencies have such responsibilities, effective liaison and communication among the agencies is essential to insure consistency and common policy development.

Responsibility in one agency

*f. *Because of the rapid growth of off-campus and out-of-state operations, the conditions of authorization should be applied both to home-campus and to off-campus and out-of-state activities of institutions.* Where state authorization standards are comparable, reciprocity arrangements for off-campus activities may be appropriate.

Uniform conditions

*g. *If a state accepts accreditation by a national or regional accrediting agency recognized by the United States Office of Education as evidence of compliance with its own standards, it should require evidence that such accreditation is at least equivalent to its own standards for authorization.* In the case of an out-of-state institution, the out-of-state operation should be assessed by the accrediting agency as qualitatively equivalent to the home-campus operation. Because accreditation is periodic, the same authorizing agency may require interim reports that minimum authorizing conditions are still being met by accredited institutions between accreditation visits.

Basic state standards

2. *It is advantageous for state evaluation and voluntary institutional accreditation to work cooperatively within their complementary but different objectives.* State evaluation is more clearly related to institutional function within the system of postsecondary education in the state whereas private accreditation is more specifically directed to institutional self-improvement. Neither can wholly substitute for the other.

Cooperation between state evaluation and voluntary accreditation

3. *States should consider the ECS Task Force 1979 recommendations on accountability:* (1) Each state should provide for the accountability of higher education by a process of goal setting, evaluation of progress toward statewide goals and reporting on progress or lack of progress; (2) the accountability process should include assessment of state actions along with assessment of institutional actions; (3) statewide educational goals should be established; (5) provision should be made for a reporting of results of the assessment to the governor, legislature, education officials and the general public; (6) states should provide adequate rewards or incentives to encourage achievement of goals; and (7) responsibility for the accountability should be clearly designated.* To the extent that independent institutions receive state funds or participate in the planning or goal-setting process, such an accountability system should apply to them as well.

ECS accountability recommendations

Accountability of state agency

4. *The state agency, whether a coordinating or governing board, should also be held accountable and should periodically be assessed in terms of its achievement of objectives.* A preferred procedure may be establishment on a regular basis of an evaluation committee composed of laymen and experts from the field. It is crucial, however, that the evaluating body is chosen carefully with knowledgeability and objectivity as the prime criteria.

IV. Program Review

A. Introduction

Of all the state roles in higher education, academic program review is perhaps the most sensitive from the institutional standpoint. Decisions on academic programs, on research projects and on community service efforts traditionally have been considered the domain of institutions and their faculties. In the past state boards or agencies have carried out approval of new academic programs, especially those with high costs; state review of existing academic programs promises to become an equally important function in the period of changing enrollments and limited resources expected in the 1980s.

Differences in state agency authority

Statewide boards have differed in the exercise of their authority for program review from extensive to very little. As coordinating boards or agencies were established, they frequently were charged with reviewing new programs to prevent unnecessary duplication and to insure that added programs were congruent with institutional missions. Some were directed to approve or disapprove new programs, while others could only review and recommend. In a number of states the original legislation mandated coordinating boards or agencies also to review and/or approve existing programs, and this function has increasingly been strengthened and expanded in recent years. As of 1979, about 39 governing boards and coordinating agencies had statutory responsibility for approval of new programs and nearly 26 of these boards and agencies had statutory responsibility for approval of existing programs; 11 had statutory responsibility for reviewing and recommending continuation or elimination of existing programs and 9 had statutory responsibility for review and recommendation of new programs.[1]

Changes in emphases

According to Robert J. Barak, a specialist in academic program review, perhaps even more dramatic than the numbers of state agencies now undertaking program review are the changes that have occurred in three other dimensions: (1) states have become far more sophisticated in their processes of review and the reviews have become more comprehensive in encompassing more institutions and programs than previously; (2) reviews are being used more extensively, especially where they have been incorporated into the long-range planning and budgeting processes of the state agencies; and (3) these developments also have taken place on the institutional and subsystem level as well as statewide.[2]

In view of the anticipated problems created by changing enrollment and a surplus of institutions, an agenda for the role of a statewide agency in program review in the 1980s should consider the following: How can a rational mechanism for review of new and existing programs be developed? What legislative and financial support is currently available or can be gathered for the task? How can the interests of state program review be coordinated with institutional self-review of academic programs? What are the acceptable costs of academic review in light of the benefits received? What limitations should be put on state program review? What are the interests of institutions, state, and national and international constituencies? How these questions are answered will, in part, determine the role of the statewide agency in carrying out program review for its particular state. Given its traditions, resources and legal restraints, each state will develop a unique response for the task.

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[1] *Higher Education in the States,* vol. 7, no. 5 (Denver, Colo.: Education Commission of the States, 1979), pp. 266-273.

[2] *Academic Program Review and Approval: Threat, Promise, or Necessity?* (Boulder, Colo.: National Center for Higher Education Management Systems, forthcoming).

B. Review of New Programs

Continued concern for review of new programs

Of particular importance during the period of expansion, review of new programs will continue to be a major concern of most statewide agencies. Even in periods of retrenchment new programs are proposed. Some are related to new knowledge, some to changing missions, some to changing clientele and some to new high-priority local or national manpower and other needs.

1. *Selection of Units of Concern*

Units of concern

New programs subject to state-level review vary considerably from state to state. Some statewide agencies review only major programs involving requests to the legislature for new funding. Others review all new academic programs, changes in degree designations and new majors or minors within degrees whether or not new funding is involved.[3] When the legislation calls for approval or review of new units of instruction, the intent usually is establishment of any new college, school division, institute, department or degree program. Such approval rarely extends to individual courses, which are considered the prerogative of the institutions.

2. *Timing of Review*

Timing of review

The question of when to review new programs is not generally agreed upon. In most cases it occurs when the program is presented to the board for approval. In some states prior notice is asked for preliminary review in relation to system or statewide goals and to institutional mission. In California, for example, institutions are expected to submit projected new major programs two-to-five years in advance.

3. *Criteria for Program Review*

Criteria for review

Most states call for seven major responses in the program review process. These include: (1) program description; (2) purposes and objectives; (3) needs analysis; (4) cost analysis; (5) resource analysis; (6) program registration, licensure or accreditation (who, if anyone, licenses or accredits, requirements for accreditation and present accreditation of related or expanded programs); and (7) availability of adequate student financial aid.[4] Not all seven may be called for in some states and the degree of the required detail varies among states.

4. *Process of Review*

Process of review

Although the review process also differs considerably from state to state, it may include any or all of a series of steps:

- A number of states require notification and approval of planning for a new program prior to or as soon as the initial planning begins. This may be as informal as a phone call or a letter of intent, but it has the advantage of avoiding duplicate planning efforts by different institutions and of

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[3] Robert J. Barak and Robert O. Berdahl, *State-Level Academic Program Review in Higher Education*, Report No. 107 (Denver, Colo.: Education Commission of the States, 1978), p. 18.

[4] Ibid., p. 26.

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providing such information for the statewide planning operation. It also is intended to encourage cooperation and communication before the formal request for approval is delivered and to avoid unnecessary work if there is little or no likelihood that the program subsequently would be approved.

- To insure that the program has been thoroughly reviewed by the institution most state boards require a statement of approval by the institution through either its governing board or its chief executive.
- Most states use a prescribed format for program submission to insure some degree of comparability among requests.
- At this point a number of states require an interinstitutional review, which may consist of asking each similar institution in the state to comment on the proposal (Washington and Florida) or to review the proposal by a formal interinstitutional committee (Kansas and Minnesota).
- Some states in addition to or in place of interinstitutional review utilize a process of outside review by formal or informal committees of out-of-state consultants chosen by the board staff, by the institution or by a combination of both.
- Any of these earlier steps usually is followed by the board staff review or by a review by a committee of the board. Depending upon the state this may be more or less extensive, from checking to see that the requisite information is present to demanding comprehensive analysis and recommendation. In many states an institution may informally withdraw the request at any stage during the process if it believes the request will be rejected.
- The final stage is, of course, board action.

Approach to new programs in the 1980s

For the 1980s proposals for new programs should be carefully developed by the institutions and their planning staffs with special attention to needs, cost and resource analysis. Further, the state agency should relate program review carefully to state as well as to institutional objectives and thus to the planning process. Although new programs will continue to be essential to institutional and system viability, with tightened resources some ongoing programs may have to be given up to fund the new programs. The possibility of adding whatever might be desired by faculty or students without clear documentation of need probably is past.

C. Review of Existing Programs

During the growth of higher education in the 1950s and 1960s, states had a strong interest in deciding where new institutions were to be built and what programs they were to offer. Although judgments were made with consideration for demand, for improvement of student access, for financing and for governance, political expansionism and economic arguments often superseded these educational concerns. One result of this unplanned expansion is that a number of states find themselves with a legacy of too many institutions in the wrong place and with the wrong programs. Because these problems will exacerbate as enrollments decline, state program review will focus more on existing programs during the 1980s.

Increased focus on review of existing programs

Reviewing existing programs is considerably more complex than reviewing new programs, and the purposes and methods may vary considerably from state to state. However, the following are basic issues for consideration in the review of existing programs in this decade:

Purposes of review of existing programs

1. *Purposes of Review of Existing Programs*
Barak and Berdahl list six purposes that may be involved in existing program review. These include: (1) financial — to cut back on expenditures, (2)

efficiency — to permit more effective utilization of existing resources, (3) accountability — to insure that institutions are meeting state goals effectively, (4) quality — to upgrade the overall quality of programs by eliminating programs of low quality and by reallocating resources to improve others, (5) consumer protection — to protect students from programs that are of questionable value and (6) political — to demonstrate agency response to political mandates.[5]

2. *Selection of Programs for Review*

Selection of programs for review

Because of the large number of programs in any system, the selection of programs to be reviewed is critical. It may be circumscribed by legal limitations, by limited staff and resources and by considerations of how the agency can or should get involved in the review process. As a result some states confine such reviews to graduate programs, others to certain types of institutions only and others to certain subject areas. In most states a screening device or preaudit for identifying programs for review is essential. Such a device may involve a single criterion — such as low productivity, high cost, quality or need — or a combination of these. This preselection or audit and review does require as a prerequisite an effective information system and a uniform taxonomy.

3. *Criteria for Program Evaluation*

The criteria for program evaluation vary from agency to agency but most frequently do include productivity, cost, quality and need. Among the concerns of institutions in some states is the danger of relying wholly on quantitative measures and at the same time encountering the difficulties involved in qualitative assessment. It seems clear that a combination of quantitative and qualitative factors is essential.

Factors in review of existing programs

In 1973 a task force of the Education Commission of the States on coordination, governance and structure of postsecondary education suggested 10 factors that should be taken into account in program review, particularly as it related to phasing out or consolidating programs: (1) The number of graduates from the program in each of the last five years; (2) the number of students enrolled in the program (entry and drop-out rates); (3) the size of classes and the cost of courses identified as integral elements in the program; (4) cost per program graduate; (5) faculty workload; (6) program quality as reflected by its regional or national reputation, faculty qualification and level of positions achieved by graduates of the program; (7) total production of a program's graduates from all institutions in the state, region and/or nation; (8) the economies or improvements in quality to be achieved by consolidation and/or elimination of the program; (9) general student interest and demand trends for the program; and (10) the appropriateness of the program to a changed institutional role or mission.[6] Each of these is used by some states although no one state uses all. The most frequently used, in order, appear to be number of graduates — 15 states, students enrolled — 12 states, student interest and demand — 10 states, appropriateness to role and scope — 10 states, program quality — 9 states and size of classes and costs of courses — 9 states.[7]

4. *Approaches to Processes of Review*

According to Barak and Berdahl the processes of review in the various states can be grouped into four approaches based on where the primary responsibility lies — institutionally, interinstitutionally, agency staff and outside consultant:[8]

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[5] Barak and Berdahl, p. 56.

[6] *Coordination or Chaos?: Report of the Task Force on Coordination, Governance and Structure of Postsecondary Education*, Report No. 43 (Denver, Colo.: Education Commission of the States, October 1973), pp. 51-52.

[7] Barak and Berdahl, p. 72.

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Four approaches to review:

Institutionally-oriented

a. *Institutionally-oriented.* In its simplest form the state agency utilizes incentives to encourage institutions to review their own programs but without any major assessment from the standpoint of statewide needs. Some states go further concerning the coordination of the institutional or segmental reviews through a planning process that also assesses statewide needs. In a few cases the state agency monitors the institutional reviews (Wisconsin) to insure quality and uniformity. The major difficulty in such an approach is that it does not readily provide for interinstitutional comparisons either in terms of quality or duplication.

Interinstitutional review

b. *Interinstitutional review.* In some states an interinstitutional committee assists in developing the guidelines and criteria for review. It may play a continuing role in the review process through jointly reviewing programs, recommending actions to the institutions and statewide board, publishing results and insuring the cooperative involvement of the institutions themselves. Unlike the approach of institutional review, interinstitutional review makes possible lateral comparisons and review in the light of analysis of statewide needs.

Agency staff review

c. *Agency staff review.* In a few states the review is primarily undertaken by staff. When this is the case, the staff usually identifies programs with long patterns of low productivity, as in Washington. Then it requests the involved institutions to develop reviews of these programs and to make recommendations to the board for their continuation or termination. With the institutional reviews in hand, the staff makes specific recommendations to the board for action. One of the real dangers of such an approach is the extent to which the staff is considered knowledgeable, sensitive and mature. If it is not so considered, the end result is likely to be unsatisfactory.

Consultant review

d. *Consultant review.* Careful use of outside consultants is likely to be perceived as the most objective approach to program review, because of the deeply ingrained reliance in the academic community on peer group evaluation for qualitative judgments. New York, Louisiana and Illinois have led the way in utilizing the outside consultant approach and other states are following suit. The choice of the outside consultants is particularly important. It must be done with objectivity and preferably with some institutional involvement in the selection. There are several negative aspects in the use of outside consultants. The use of consultants tends to increase costs. Also there are dangers that the consultants will work from special biases or that they may be less than fully aware of special problems or of statewide needs.[9] These problems can be partially overcome if the board and its staff evaluate the results in relation to the statewide planning framework.

Probably no state fits neatly into any one of these paradigms. Most states use some combination. Whatever the approach, the review process must be integrally related to the planning process and to systemwide as well as institutional objectives. Foremost is effective institutional participation in the

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[8] Barak and Berdahl, p. 75.

[9] For example, James R. Mingle points out that the teams of external consultants evaluating all doctoral programs in Louisiana tended at Louisiana State University-Baton Rouge, while not excluding productivity and need factors, to focus more on the qualitative aspects of graduate education, *The Closing System of Academic Employment* (Atlanta: Southern Regional Education Board, 1978), pp. 58-60.

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"very design of the process, in the determination of guidelines and procedures" and in the "deliberations of an interinstitutional advisory committee."[10]

D. Support for Program Review

Even under the best of circumstances institutions may resist state-sponsored program review on the grounds that it is an incursion into institutional autonomy. The impulse of the state to control costs and programs in a period of declining enrollment is contrary to institutional strategy to expand programs in order to attract more students. Legislative support for program review also may be questionable. Because program review is a time-consuming and costly operation both to the state and to the institution, it will be difficult to provide funds for an extended program review at the same time institutions are being requested to reduce budgets.

1. *Institutional Perspective*

Institutional perspective

From the institutional perspective, the state's involvement in making program decisions is questionable because the academic program becomes more vulnerable to partisan politics. There is a strong feeling that local educators are in a better position to judge the educational needs of local constituencies than are bureaucrats in the state capitol. At best the state is perceived as making initiatives and changes unduly difficult because of procedural and technical hurdles. In a period of decline there will be ongiong tensions between the state and institutions. States may find it increasingly necessary to review programs and to close down programs because institutions may find it difficult to do so individually.

2. *Legislative Support Problematical*

Legislative support

Legislative support for program review is problematical. It is based on the following assumptions: (1) a public belief exists that a state is overextended in higher education or that the quality of education offered is questionable, (2) there is a strong concern about controlling state costs, (3) the demand for college education does not increase, and (4) the state agency is successful in mediating the reduction of programs. On the other hand loss of support could occur if (1) institutions are dissatisfied with the procedure and communicate that to legislators; (2) the state is unable to realize reductions in programs; (3) the cost of program review becomes unreasonable; or (4) program review results in requests for closure or reduction of programs for organized constituency groups — such as teachers, labor or minorities — that are willing to lobby for programs.

E. Coordination of Institutional and State Program Review

Formative and summative evaluation

Two major types of evaluation exist, formative and summative. Each is appropriate at different phases of the operation of the educational enterprise; each is useful to different sets of policy makers. Most evaluation carried out by colleges is formative. It provides a basis for formulation or reformulation of a program and is aimed at improving programs and developing alternative approaches. Summative evaluation is used to substantiate decisions regarding continuation, modification, termination or replacement of a program.[11] The type of information gathered for these two kinds of evaluation is not dissimilar but there is some difference in emphasis. Summative evaluation would be more concerned about comparing inputs and outputs while formative evaluation

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[10] Barak and Berdahl, p. 86.

[11] Paul L. Dressel, *Handbook of Academic Evaluation* (San Francisco: Jossey-Bass Publishers, 1976). pp. 15-17.

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would be more process oriented. If an institution were to make a decision to terminate a program, it would be summative; if a state review recommended improvements, it would be formative.

Coordination of institutional and state review

Because state review does not preclude institutional review but can be facilitated by it, coordination of institutional and state review is preferable. The situation is complicated in many states by the existence of segmental systems that also engage in program review, which may be either formative or summative. In such cases coordination among all three levels is essential. Indeed, this was among the issues identified at a recent Western Interstate Commission for Higher Education (WICHE)-National Center for Higher Education Management Systems (NCHEMS) conference on postsecondary education program review as needing further resolution:

> What are the best relationships between state agency program review and institutional and state purposes — both formative evaluation and summative evaluation objectives? Can states develop and enforce criteria for institutional review so that institutional program review serves state purposes adequately?[12]

The following section considers the advantages of both institutional and statewide program review and their coordination:

1. *Institutional Review*
Because institutions theoretically are in the best position to judge the worth, effectiveness, need and appropriateness of courses and programs, the first step in any state program review should be institutional review. Increasingly institutions of higher education are becoming involved in program review.

Discipline oriented institutional review

a. *An institutional-level perspective.* In a recent discussion of institutional-level program review, Hugh Petrie of the University of Illinois at Urbana-Champaign suggested that from the institutional perspective, institutional review ought to be closer to a disciplinary or expert review than is the case at the state level. He also pointed out that a state is a geopolitical entity comprised of institutions ranging from community colleges to research institutions. Thus, state-level review should differentiate among the education institutions within the state and their differing roles and missions.[13]

Wisconsin institutional program review

b. *Institutional program review in Wisconsin.* Wisconsin places a strong emphasis on institutional program review that features institutional program audit and subsequent institutional program review. The approach offers a working example of this type of review:

- Institutional program audit is defined as one of the means of identifying from the total spectrum of programs those that should receive thorough review by the faculty and institutions in a particular period of time. An audit involves examination of the conditions of each academic program in terms of a limited number of readily quantifiable indicators. It does not necessarily create a presumption that the programs selected for intensive analysis are in trouble or headed for trouble.
- Institutional program review is a comprehensive and intensive reexamination of a particular academic program. It is considered a judgmental process that uses available audit information and additional relevant

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[12] John Folger, "Workshop Overview," *Postsecondary Education Program Review: Report of a WICHE-NCHEMS Workshop and Study* (Boulder, Colo.: Western Interstate Commission for Higher Education, February 1980), p. 9.

[13] "Institution Level Program Review," *Postsecondary Education Program Review: Report of a WICHE-NCHEMS Workshop and Study* (Boulder, Colo.: Western Interstate Commission for Higher Education, February 1980), pp. 97-100.

> information or analysis. The review, rather than the audit, would lead to recommendations that a program be changed in form and direction, reviewed again at a later time, continued, phased out, consolidated with other programs or augmented.

The statement of purpose of institutional program review in Wisconsin, along with system lateral and systemwide review, notes the traditional responsibilities of faculty in ongoing critical examination of academic studies and adds:

> More recently, because of an austere fiscal environment and the possibility of enrollment declines, faculties have also found it necessary to engage in academic program evaluation to assist in determining how limited resources can be best directed to meet student interests and societal needs.[14]

2. *State Review*

Need for state review

Even if institutions do an excellent job of program review, a state review may also be necessary. In particular, only the state can provide for lateral review of programs, as there are many instances where several programs need to be considered at once. The state also may be in a better position to determine the effect that a particular program has on state finances.

Control over competition

a. *Control over competition.* An advantage of state program review is state involvement over the practice by some institutions of adding new courses to attract students. Although competition for students is desirable, institutions may develop unnecessary programs at satellite locations or offer programs that are marginal to their established missions. As a result, the level of conflict may increase to the degree that the state is subsidizing all the contenders. Unbridled competition will increase rather than decrease costs to the state and has the possibility of resulting in two marginal programs instead of one good program.

Long-term implications

b. *Long-term implications.* The desirability of the state coordinating board having responsibility for carrying out program review is important on another level. Program review should be conducted with an eye to long-term implications. Decisions made in a political setting or as part of an annual or biennial budget cycle tend to reflect shorter-range needs. It is true that program review cannot exist separately from budgetary considerations, but the review process should not be hostage to these decisions. A coordinating board is part of the more immediate decisions and yet is sufficiently removed from the immediate interests of the campus to protect the review process.

Administrative role

c. *Administrative role.* State program review does not imply that the board itself, particularly if it is a coordinating board, should necessarily carry out the program review. The actual review process may be implemented by academic professionals, college administrators or other experts in the field. The state board should determine policy for program review and for the magnitude of the review and should make final decisions based on the review.

F. Benefits of Program Review

Good program review entails considerable direct and indirect costs. Often outside consultants are paid and many hours of institutional and state staffs are involved. The benefits are difficult to assess because of imprecision in defining educational quality and in pointing to specific savings realized by program review. Probably, if one considers immediate cost savings, program review is not a major cost-cutting measure.[15] Money is saved only if staff is reduced or if enrollments are increased. Although future costs may be reduced, this proposition is difficult to prove. However, secondary and long-term benefits evolve from good program review:

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[14] Robert J. Barak and Lilla Engdahl, "Profile of Program Review Policies and Procedures in State-Level Postsecondary Education Agencies" (unpublished compilation, January 1980).

1. *Secondary Benefits*

Secondary benefits of program review

The secondary benefits associated with program review cannot be measured as a direct outcome of program review itself but are corollaries that have value: (1) planning can be improved both at the state and institutional level, which may result in cost savings; (2) allocation of funds and budget processes are improved if these decisions are tied to program review; (3) program review helps to recognize departments or programs that are doing a good job, for to the degree that program review is designed to enhance and protect academic quality it should help reward superior faculty; and (4) program review helps to protect the credibility of higher education by providing confirmation of what institutions are doing, as improvement in accountability can be a good protection against undue incursions of political decision makers into higher education.

2. *Long-Term Benefit*

Protection of educational quality

The long-term benefit of program review is the protection of educational quality. As inventive and diverse programs are developed to maintain enrollments, there is some danger that they are viewed by state policy makers as being somewhat frivolous. There may be further suspicion that such courses may be offered not for sound educational reasons but because they are profitable for the institution, as often they are taught by part-time faculty at low cost.[16] Through a system of program review, the educational worth and quality of courses would be weighed and evaluated. When institutions are required to make program and personnel cuts, many of them tend to act equally across the institution rather than selectively. This reduces the immediate conflicts but does not serve the long-term needs of the institution.

G. Limitations on State Program Review

There are two types of limitations to be considered in this section — those imposed by circumstances and those that should be considered in light of local and national interests in education. Besides the general resistance by institutions to external bodies determining programs, a number of specific problems in program review need to be resolved:

Problems in program review

1. *Limitations Through Circumstances*

Examples of the limitations through circumstances include state review of programs in independent institutions, off-campus offerings and research institutes:

Inclusion of independent sector

a. *Independent sector.* State program review can be used solely in the public sector, but the sense of fairness and comprehensiveness is expanded if the independent sector is included. In terms of insuring educational quality in the state and a fair distribution of programs among institutions, it is reasonable to include programs of independent institutions in the review. However, this may threaten the institutional independence prized by the independent sector. In many states there is limited state financial support for this sector, which also will diminish the willingness of independent institutions to cooperate with such a state effort. There is no good resolution to this problem if the independent schools do not wish to be involved.

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[15] Mingle, p. 66. A recent study based on survey responses from state agencies in the western states included under the WICHE Compact also indicates that cost savings do not necessarily result from program review and termination. "Both state agency and institutional administrators surveyed in this study cautioned that program reviews should not be expected to result in cost savings" (Lilla Engdahl and Robert Barak, "Study of Academic Program Review," *Postsecondary Education Program Review: Report of a WICHE-NCHEMS Workshop and Study* [Boulder, Colo.: Western Interstate Commission for Higher Education, February 1980], p. 129).

[16] Charles B. Stalford, ed., *An Evaluative Look at Nontraditional Postsecondary Education* (Washington, D.C.: Department of Health, Education and Welfare, 1979).

Although the authority of the New York Board of Regents for program review is atypical, it does offer an example of the feasibility for such powers that received support from the independent sector ifself. When the board's authority to terminate doctoral programs through a review process was challenged in court by the State University, the Commission on Independent Colleges and Universities in New York supported the powers of the Board of Regents. As Robert Barak and Robert Berdahl point out, public institutions and their supporters will resent their own programs being recommended for termination if similar programs are exempt at independent institutions receiving substantial state subsidies. They suggest that independent institutions had best not assume that state monies can be acquired in any significant amounts without their relinquishing some degree of institutional sovereignty.[17] Independent institutions should at least be given the opportunity to participate voluntarily in program review.

Research institutes

b. *Proposed research institutes.* Determining proper criteria for making judgments about proposed research institutes on a campus may be difficult. There is no way of knowing whether a proposed research center might contribute to knowledge, at least not for a long period of time after such a center has been established. Moreover, the costs of a research center relative to the potential benefits are nearly impossible to determine. States should not consider each proposal for a research center separately but rather should judge relative priorities among proposals in light of available resources.[18]

Some guidelines that were set forth for the last decade are still valid suggestions for the reviewing of research and public service programs by statewide agencies. Coordinating boards should attempt to establish, in cooperation with the institutions of higher education, criteria for approving new programs in research and public service. These criteria should be addressed to the compatibility of proposed activity with institutional mission, state need, state ability to pay and institutional readiness.[19]

2. *Limitations Through Local and National Interests*
Other limitations are expressed by programs funded from nonstate sources and by a possibility that extensive state review might constrain initiatives at the local level:

Nonstate funding and program constraint

a. *Nonstate funding and program constraint.* Review of programs funded from nonstate sources is a sensitive area. Some states argue that review of such programs is necessary because often programs initiated with outside funds become the responsibility of the state at a later time. Review is also justified on the basis that it is the state's role to hold institutions to previously determined role and scope. It is possible that institutional mission could be distorted by taking on programs or projects funded by nonstate sources. Because program review poses the problem of constraining initiatives at the institutional level, a series of notification requirements could burden the effort necessary to launch a new program to the point that no one wants to undergo the process. At a time when new programs may be needed, program review requirements could become a deterrent.

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[17] *State-Level Academic Program Review*, pp. 92-93.

[18] Robert O. Berdahl, *Statewide Coordination of Higher Education* (Washington, D.C.: American Council on Education, 1971), p. 171.

[19] Lyman A. Glenny et al., *Coordinating Higher Education for the '70s: Multi-campus and Statewide Guidelines for Practice* (Berkeley, Calif.: The Center for Research and Development in Higher Education, University of California, 1971), pp. 51-52.

Approaches to nonstate funded programs

Several guidelines have been suggested for reviewing programs that are not funded by the state and for encouraging institutional incentive to seek nonstate funds. They include: (1) each coordinating board should be informed of all new programs prior to their beginning or at the proposal stage, whether or not they are funded by state money; (2) the board should establish a fiscal figure and a time period, requiring that all outside-funded projects with larger grants or longer time spans must undergo normal program review; (3) states using formula budgeting for higher education should not subtract the amounts acquired by the institutions from outside sources from the gross appropriation figures; (4) to give institutions incentive to seek more outside funds, at least the overhead income, or a major part of it, should remain with the institution for financing research in areas of less support; (5) the board should insure that outside revenue is not used to inflate existing unit costs; and (6) should federal funds be awarded, funds above a "maintenance of effort" level should be considered as regular operating and/or capital income.[20]

Legislative resistance

b. *Legislative resistance to review.* The alternative to lack of effective review by the coordinating agency is the possibility of direct political involvement in making decisions about programs. Legislators may become more willing to make direct judgments about program cuts than they have been in the past. A slow, costly effort in program review without results could well be more than legislators would be willing to undertake. Recommendation of discontinuance of particular programs could cause political problems. For example, programs developed by the minority community, labor groups or teachers could result in high-level political conflict that could undermine the review process.

Barak and Berdahl indicate the political problems that arise when influential personalities on the board or in the state government subordinate the desired objectivity of the program review process to partisan considerations. They also state that "partisan politics (in contrast to legitimate public policy issues) is not congenial to the health of academic programs in higher education" and that "the statewide board has a unique and crucial role to play in persuading the public and state officials that the public interest is being served by the program review process."[21]

Litigation

c. *Increased law suits.* As faculty reductions become part of the outcome of program review and program closure, there could be an increase in law suits questioning the legality of the state review process. In an increasingly limited job market, faculty may increase law suits designed to protect employment. The legal procedures could have the effect of slowing down procedures of program review and of requiring them to be much more explicit than would otherwise be necessary. The added precautions have the possibility of making program review so cumbersome as to be almost useless.

As a possible deterrent to legal recourse, faculty participation in program review remains an indispensable requirement not only for the implementation of the program review process but for the enlightenment of the faculty members themselves. Caruthers finds that communicating progress and results should be a necessary link with program review, even though it might be a conflict-ridden endeavor. He suggests:

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[20] Glenny et al., p. 53.

[21] *State-Level Academic Program Review in Higher Education,* p. 96.

> Individuals are able to compare their own educational and social philosophies with those of others. They learn of discussions that concern their status within the organization, and in some cases, even threaten their personal economic security. Probably no approach to communicating the results of any serious mission, role and scope planning deliberations can avoid such conflicts. But we have observed that unrest is minimized when there is open and frequent communication and the opportunity for a fair hearing of concerns. . . . Further, we believe that the confidence in both mission, role and scope planning efforts and program review activities will be enhanced when members of the campus community can see that they reinforce each other in shaping the campus budget.[22]

The partnership of institution and the statewide agency for quality program review can involve institutional faculty through participation on the interinstitutional committee, through working with the outside evaluation team and through developing proper institutional responses to the findings.[23]

Programs designed for military personnel

d. *Programs beyond jurisdiction.* Some programs are beyond the reach of state program review, such as those developed outside a state and imported. Several colleges and universities have programs designed especially for military personnel and operated only on military bases that are federal, not state, preserves. Often these courses are made available to civilians in the area. In any case, the programs may compete with the offerings of local colleges, which often claim that the military programs are inferior and lack controls of quality. The supporters of military programs counter by pointing out that the military has unique requirements and that local colleges have not always been willing or able to provide needed services. The alternative has been to deal with those out-of-state institutions that are willing to provide the necessary programs. For programs beyond the reach of the statewide program review process, the recommendations to the states of the American Institutes for Research study discussed in an earlier chapter are perhaps particularly relevant.[24]

Inadequacy of market approach

e. *The market approach.* It has been argued that instead of program review a market approach will, in the long run, result in a more responsive and appropriate set of educational offerings. Such claims are unsubstantiated. Letting competition determine program offerings is flawed by the imperfect nature of the market. Institutions have little flexibility in what they do. The cost of education to the student is not determined, at least in the public sector, by market considerations, because tuition and student aid levels are set politically and administratively in various centers of government for a number of reasons. Independent higher education is more dependent on tuition and thus more sensitive to changes in market factors than public institutions. Many factors outside an institution's control continue to determine tuition levels. Although competition among institutions for students will always exist, it does not necessarily mean that institutions will modify costs or programs to attain their market share.

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[22] J. Kent Caruthers, "Relating Role and Mission to Program Review," *Postsecondary Education Program Review: Report of a WICHE-NCHEMS Workshop and Study* (Boulder, Colo.: Western Interstate Commission for Higher Education, February 1980), p. 89.

[23] Barak and Berdahl, p. 106.

[24] See Chapter III, p. 33.

H. Conclusions and Recommendations

Program review in the period of decline expected in this decade will differ from what it was during the period of growth in postsecondary education. Harder decisions will be required, since curtailing existing programs is much more difficult than rejecting new ones. The changed conditions in higher education imply a need for new offerings and new curriculum. These will be difficult to implement if total enrollments are declining and funds are constricted. However, program review can help to keep postsecondary education vital by encouraging curtailment or closure of programs that no longer serve students and by helping the development of needed new programs. State program review should not serve the status quo by making new programs too difficult to generate and by making existing programs easy to continue. Rather, it should provide a strategy by which educational goals can be realized at a reasonable cost. The following recommendations are offered as considerations for program review in the 1980s:

Need to strengthen and coordinate program review

1. *With variable enrollments and fiscal stringency, review of existing as well as review of new programs will become progressively important. In some states program review needs to be strengthened and related to the entire planning, budgeting and coordinating process.* A fragmented and ad hoc approach will not be helpful in protecting educational values in a period of decline.

Flexibility for program review

2. *Program review can help to keep postsecondary education vital by encouraging curtailment or closure of programs that no longer serve student needs and by helping the development of needed new programs.* Effective program review must involve both the state higher education agencies and the institutions and combine institutional and statewide perspectives. It should be clearly related to institutional missions.

Consideration of needs, costs and resource reallocation

3. *For the 1980s proposals for new programs should be carefully developed by the institutions and their planning staffs with special attention to needs, costs and resource reallocation.* The state agency should relate program review to state as well as to institutional objectives and thus to the planning process.

Qualitative and quantitative dimensions

4. *Review of existing programs, which will receive increased attention during this decade, should incorporate both qualitative and quantitative dimensions of student need, program duplication and program effectiveness.*

Outside consultants

5. *In light of the deeply ingrained reliance in the academic community on peer group evaluation for qualitative judgments, where feasible and possible, careful use of outside consultants should be considered as an important part of effective program review.* The choice of the outside consultants is particularly important and must be carried out with objectivity and preferably with some institutional involvement in the selection.

Participation and cooperative reinforcement

6. *Program review needs to be developed through the participation of institutions and their faculty and of the statewide higher education agency and with the cooperative reinforcement of the legislative and executive branches of state government.* The importance of a state perspective does not mean that the state should carry out academic program review unilaterally. Institutional and faculty cooperation is essential to the integrity of the review process and to the coordination of state and institutional efforts. When possible, independent institutions should be given the opportunity and should be encouraged to participate voluntarily in the program review process.

7. *The criteria for program review should be developed jointly by state higher*

education agencies and institutions. Criteria should be thoroughly understood by administrators, faculty and other interested parties including the executive and legislative branches of state government. The process should be as objective as possible and include conditions for appeal and review.

Objective process

Enhancement of quality

8. *Program review should be based on the premise that it is a way to enhance the quality of education as well as a way of controlling costs.* However, program review is limited by costs, so careful consideration must be given to a credible process for the selection of programs for review.

V. State Management and Higher Education

A. Introduction

Distinction between management and administration

The distinction between management and administration refers to the narrower scope of the former compared to the latter. Whereas administration is a broad term covering all of the executive functions of government, management implies direct operation of programs. Everything a state coordinating board might do in the area of developing a budget, of planning and of revising programs could be considered administrative. State management of programs in higher education is much more limited. Because of the fiscal restraints expected in this decade, there may be pressure on states by legislators to increase direct management of higher education in the state in order to control costs. This pressure should be resisted because there is little evidence that centralized management does result in lower costs. Problems of rigidity and loss of flexibility along with an increase in state-level management may lead to higher total costs for higher education. States can improve service and reach educational goals through a combination of planning, budgeting and program review, which in most cases is preferable to an increase in direct management.

1. *Tradition of Institutional Independence*

There is a long tradition of institutional independence from state interference. Essentially, the state provides the funds for the operation of public colleges and universities and some general operating principles with the board of trustees taking responsibility for the oversight of specific management decisions. Thus, in accordance with American tradition, states have tended to refrain from direct intervention in managing the affairs of public higher education, although they influence policy through the budget, planning and legal channels.

2. *Growth of State Management*

Growth in state management

In the post-World War II period there has been some increase of activities that are operated and managed at the state level. Much of the growth occurred in states with central governing boards, which found it easier to operate selected programs at the state level. The most current area of growth is in state-funded student aid programs that have now been developed in every state and that are managed in a majority of the states as a part of the statewide agency. Examples in various states of other state management responsibilities include management of employee insurance and retirement programs, auditing of funds, management of classified employees' pay plan, operation of student information centers, operation of statewide educational television, approval of out-of-state travel, operation of continuing education programs, operation of a statewide computer network and establishment of common procedures for purchasing goods and services. State management of programs influencing higher education is not always lodged with the state postsecondary coordinating board. State personnel boards, independent student aid agencies, state architects and state auditors are other agencies that are involved in management of programs affecting higher education.

Differences in managerial responsibilities of governing and coordinating boards

3. *Managerial Responsibilities of Governing and Coordinating Boards*

Differences exist in the amount and type of management carried out by the state higher education agency depending on whether it is a coordinating board

Governing board responsibilities

or a governing board. Unlike coordinating boards, governing boards are legally responsible for the management and operation of the institutions under their governance. They have direct responsibilities in budget management and operational policies after appropriations are made. This also occurs in relation to budget development and recommendation to the governor and the legislature. Governing boards generally are held responsible in post-audit and may be subject to pre-audit. They have regulatory powers in relation to institutional management and operation, personnel policies and general institutional welfare. The presidents and their staffs are employees of such boards as are, technically, faculties and all other institution personnel. Governing boards usually deal directly with the presidents and their staffs without other mediating boards. However, in some multicampus systems there are "Boards of Trustees" (North Carolina) or "Institutional Councils" (Utah) for individual institutions. These have defined but restricted and/or delegated powers from the central governing board that are not unlike those of boards of trustees.

Coordinating board responsibilities

In contrast coordinating boards do not have legal responsibility for institutional management and operation. While most of them are involved in budget development and recommendation, they have little or no responsibility for budget management and operational policies of institutions after appropriations are made. In a few cases (for example, Tennessee) they may have some oversight responsibility to insure that legislative intent is followed out. Their regulatory powers in relation to institutional management and operation are decidedly limited or nonexistent except as recommendation. Coordinating boards seldom are involved in personnel matters except for their immediate staffs. In light of these differences, governing boards are considerably more involved in management than coordinating boards.[1]

Negative features of centralization

The pressure brought on by decline of enrollments and by less available financial support in the 1980s may lead to demands for increased management of higher education functions by coordinating as well as governing boards. Centralization of management can be rationalized in the name of increased efficiency and for some functions — such as operation of a retirement system or student grants and loans — it has obvious advantages. However, in other areas — such as personnel management and central control of building programs — centralization makes the system more cumbersome. It also may reduce desirable diversity of institutions. Increased state responsibility for many areas of higher education can be realized without increasing state management. This chapter examines the managerial responsibilities of statewide agencies by focusing on the operation of student aid programs and administration of federal funds, discusses managerial burdens on institutions and presents conclusions and recommendations regarding statewide management for the 1980s.

B. Restrictions on State Management

Keeping state management minimal

Studies of state management generally suggest that such management be kept to a minimum, particularly as it relates to academic areas, personnel and student services. For example, Fred Harcleroad states that "once policies, plans, guidelines and programs are agreed upon and funds appropriated, the authority to operate programs must be delegated to the institutions."[2] According to another source, "Direct administration, as distinguished from planning and coordination, is usually considered an institutional prerogative and not one to be exercised by the statewide board."[3] Both studies list specific areas that should be institutionally based and *not* be a state coordinating board operation:

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[1] For further discussion of the distinction between governing and coordinating boards see Richard M. Millard, *State Boards of Higher Education*, ERIC/Higher Education Research Report No. 4 (Washington, D.C.: The American Association for Higher Education, 1976), pp. 14-25.

Institutional prerogatives

- Student affairs, except general admissions standards, enrollment ceilings and enrollment mixes applicable to the various systems and subsystems of institutions.
- Faculty affairs (hiring, promotions, tenure, dismissal, salaries) except general guidelines applicable to salaries.
- Selection and appointment of any person at the institutional level, excluding the president or chief executive.
- Approval of budgeted travel, in-state or out-of-state, for staff of any institution.
- Planning of courses or programs, including content and selection of subjects for research.
- Presenting arguments and supporting materials for institutional operations or capital budgets, except that the board should present and support its own recommendations or budgets.
- Contractual relationships for construction and acquisition, equipment and services.
- Negotiations and contractual relationships with unions representing institutional personnel, except that such negotiations may be conducted within guidelines and/or budgeting parameters set by the state or board.

Areas of state management

The weight of expert opinion, the structure of the relationship with institutions and a strong tradition of institutional autonomy argue against increased state management in most higher education activities. There are, however, several areas where state management may be necessary, for example: (1) administration of statewide scholarship and grant programs to students, grant programs to nonpublic institutions and all state-administered federal grant and aid programs; (2) the establishment and management of statewide information systems. Student aid programs are usually structured to allow students to use the program at any qualified institution; such programs should be operated at the state level. Requests for information from institutions by various state and federal agencies are increasing. By funneling the requests through a single agency that is able to coordinate, modify and schedule the forms, some institutional effort can be saved. In both these areas, but especially in the area of student aid, a central question is whether the state coordinating agency should take the responsibility for the program or whether the program should be carried out by a separate board or organization.

C. Management of Student Aid Programs

State management of student aid programs

The largest single managerial responsibility at the state level is the operation of student aid programs. The number of states operating student aid programs has increased sharply in the last few years. In 1969 there were 19 states and territories with a student aid program awarding a total of almost $200 million in grants; in 1979 there were 57 (50 states and 7 territories) providing approximately $829 million in grants.[4] States vary widely in the operation of these programs. They differ in size, degree of decentralization and relationship to other education agencies in the state.

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[2] Fred F. Harcleroad, "Planning: A Basic Responsibility for a State System," *Planning for State Systems of Postsecondary Education* (Iowa City, Iowa: American College Testing Program, 1973), pp. 6-7.

[3] Lyman A. Glenny et al., *Coordinating Higher Education for the 70s: Multi-campus and Statewide Guidelines for Practice* (Berkeley, Calif.: Center for Research and Development in Higher Education, University of California, 1971), p. 83.

1. *Decentralized and Centralized Programs*

Some student aid programs are decentralized since the actual selection and award process is carried out on the campus level. In these instances, the state acts as bookkeeper to make sure the rules are followed. Generally smaller programs are decentralized. Centralized programs are ones in which the student applies for an award directly to the state agency; the state determines eligibility and size of award and provides funds to the student. The following states have a decentralized system: Arizona, Colorado, Connecticut, Hawaii, Idaho, Maine, Missouri, Montana, Nevada, Oklahoma and Utah.[5] Student aid programs are operated out of different state agencies in the states, primarily by state higher education board offices and by a separate student aid agency with its own board.[6]

2. *Guaranteed Loan Programs*

State guaranteed loan agencies

State guaranteed loan agencies introduce even more diversity into the management of student aid programs. The purpose of the guaranteed loan program is to provide loans to students in postsecondary education; the program is designed to utilize capital supplied by commercial lenders, by education institutions and by state agencies acting as direct lenders. Repayment of these loans is guaranteed either by individual state agencies (reinsured by the federal government) or directly by the U.S. Office of Education if there is no state agency. The purpose of such guarantees is to provide a substitute for collateral, which is generally unavailable from students. Since the Higher Education Amendments of 1976 provided incentives to states to develop and to operate guarantee agencies, 40 states and territories have established a guarantee state agency and several are considering one.

States can either establish a public agency or allow a private, nonprofit corporation to be formed to assume the role of a guaranteeing agency; the majority of states have chosen the former method. The loan agency may be part of the state grant agency or a separate agency. The states with private agencies operating the loan programs generally do not operate within an existing agency. The remaining states are divided as to whether the agencies are part of, or separate from, the grant agency.

3. *Other Managerial Responsibilities*

Student aid related responsibilities

The operation of student aid programs necessitates other management responsibilities. State agencies are involved in training and updating student aid officers in new procedures. There are also procedures for controlling fraud, abuse and error in the programs, which are necessary to protect the interests of students as consumers and to provide information about state aid programs to the general community.

Because of the late development of student aid programs in many states and because student aid is not part of the institutional funding base, programs have

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[4] Joseph D. Boyd and Sybil E. Francis, *National Association of State Scholarship and Grant Programs: 10th Annual Survey, 1978-1979 Academic Year* (Deerfield, Ill.: Illinois State Scholarship Commission, 1978), p. 1.

[5] John Lee and Kent Weldon, *Descriptive Profiles of State Student Assistance Programs: Summary Document* (Denver, Colo.: Education Commission of the States, 1977).

[6] Boyd and Francis, p. 15.

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been developed without much consideration for their relationship to other aspects of postsecondary education or to federal programs. In the 1980s as funds become scarce and enrollments decline, student aid policy will become much more important in debates on policy at the state level. Student aid can be used to reduce cost of attendance for specific categories of students, such as the poor or the academically promising. Student aid also can be directed to specific programs or institutions — for example, support for students planning to practice medicine in underserved areas or special subsidies for students attending high-cost independent institutions. There are cases of states allowing failing institutions to use a larger share of student aid funds to help improve the institutions' appeal to students. These examples indicate the range of state goals that can be realized during the 1980s in the operation of student aid programs through state management.

Increased importance of student aid policy

4. *Future Expectations*

Funds for state and student aid programs may continue to increase during the 1980s because college costs are rising and low- and middle-income students need help in meeting these costs. However, state programs face increasing competition from appropriations to institutions. Federal student aid funds may increase more slowly as Congress tries to balance the budget. Further large increases in state or federal student aid of the magnitude that occurred in the 1970s do not appear likely. Some states, especially those with a large number of independent colleges, will continue to fund large programs; others will probably maintain more modest efforts.

Competition for state programs

Regardless of whether states put more or less effort into student aid, there are important considerations about the managerial and legal relationships of the program to state policy. A plausible argument can be made for having the state grant program and the state loan guarantee agency as a part of the state coordinating board. This would facilitate the coordination of student aid policy with other aspects of postsecondary education operations. For example, the relationship between tuition and student grants could be worked out in terms of the state goals of student access. Consolidation would make it simpler to coordinate state grants, loans and tuition to reach specific state goals.

D. Administration of Federal Programs

In addition to student aid, the federal government provides funds for higher education through a number of categorical programs, some of which identify the state as a disbursing or administrative agency. Five federal programs that specify state participation are: (1) community service and continuing education; (2) construction, reconstruction and renovation of academic facilities; (3) financial assistance for the improvement of undergraduate instruction and equipment; (4) educational information centers; and (5) state postsecondary education commissions. Other federal programs call for state involvement as part of a larger effort. For example, federal legislation has identified the states' responsibility to help train student aid officers and has provided an option for states to process federal Basic Educational Opportunity Grant Program (BEOG) applications. With the exception of BEOG these programs are not large in terms of funding and represent a very small part of the federal effort in postsecondary education. For several years the Administration has requested that no funds be provided to the programs operated by states, and each year Congress has funded the programs. Even these small programs tend to require states to act as a coordinator and administrator but not as a manager.

State participation in federal programs

1. *Diversity of State Management of Federal Programs*

The federal government has difficulty working with the diverse states. Each state differs in terms of governance, budget format, administrative structure, constitutional constraints, legislative involvement and nearly any other variable of concern. States often opt to allow different agencies to manage different federal programs. For example, in Alabama the state coordinating board oversees the state equipment grants, the University of Alabama operates community and continuing education, and the University of Southern Alabama operates the information centers. In states where there is not a single agency with clear-cut responsibility for all of higher education, the federal government has no logical choice for administration. This, linked with the tradition of keeping government intervention in higher education to a minimum, results in federal programs that are focused more directly on institutions and students.

Deemphasis of state role in federal programs

2. *Stronger State Role Unlikely*
In the past, federal programs have not pressured states to take a more direct responsibility for management in higher education. This is in some contrast to elementary and secondary programs that have resulted in a whole range of state roles developed in response to and as a result of federal programs. The federal government apparently is not considering developing a stronger state role in managing federal programs in postsecondary education, at least not in the near future.

E. Management Burdens on Institutions

A somewhat different definition of state management in relation to federal programs is the reporting and procedural burdens put on institutions to fulfill the requests for information, improved accounting procedures and review of programs. Even though the state may not intervene directly to insure that broad state goals are being met, a number of reports requested of institutions allow realization of the goals to be monitored. These include the standard fiscal reports, enrollment data and staffing levels. They reflect concern with a broad range of issues such as student access, choice, educational diversity, analysis of regional training needs and services for the handicapped. New York, for example, prepares 22 annual or biannual reports and 15 special reports in a year. Each one demands information from institutions. Other states make similar demands for information.

Increased demand for information

1. *Increased Demand for Information*
As state governments feel pressed to save money and to make government more rational, the demand for more reports probably will increase. Control mechanisms in budgets, requests for data and the need for special reports will expand in direct proportion to the degree to which a state develops a rational system of governance and budget. With a future of fewer students and less public willingness to fund higher education, the requests for information from state agencies will probably multiply in the 1980s.

Institutional responsibilities

2. *Enlarged Institutional Responsibilities in Management*
Institutional management responsibilities also will probably increase in the 1980s. It is important that states and institutions work together to develop useful and coordinated information systems. Too often each state request for information is made with little regard for other requests. The result is that slightly different requests are made for different agencies, so that the institution representative feels the burden but is not convinced that the information is being used for good purpose.

F. Expectations of State Higher Education Executive Officers (SHEEO)

Another indication of the future roles that state higher education coordinating boards might play in management during this decade is the attitude of the people most responsible for administering state agencies. A questionnaire was sent to the membership of SHEEO by the National Center for Higher Education Management Systems and the Education Commission of the States in April 1979. Among other things they were asked the functional distribution of current agency efforts for planning and policy analysis, program review, budget planning and review, administration of state programs and administration of federal programs (an "other" category was requested but not reported).

Expected decrease of administrative role

The executive officers indicated that 18 percent of the agency's resources were spent in administration of state programs and 10 percent for federal programs. When asked to specify their desired functional distribution of agency efforts for the same categories, the executives indicated that 15 percent of the agency's resources should be committed to administration of state programs and 9 percent to federal programs.[7] It would appear that executives of state higher education agencies do not desire an increase in administration for their agencies, but a decrease relative to other functions.

G. Conclusions and Recommendations

There seems to be agreement among the federal agencies, the state higher education executive officers and observers of the scene that state management should remain limited. It may be that pressures by legislatures and governors on state agencies to take a more direct management role will increase in the period of decline anticipated in the 1980s. Frustration with slow campus-level decision making, a loss of concern about state intervention in institutional affairs and a desire to cut costs could set the stage for more direct state management. This impulse should be rejected. The following are recommended:

Institutional responsibility

1. *Where there are clear state guidelines and where role and scope have been effectively determined, institutions should have major responsibility for management of internal affairs and should be held accountable for the results.* Increased centralization does not assure reduced costs, and it may lead to greater rigidity of decision making and reduction of institutional diversity. State responsibility for postsecondary education can be realized without increasing state management.

State agency functions

2. *States can improve service and reach educational goals through a combination of planning, budgeting and program review, which in most cases is preferable to an increase in direct management.* However, states will need to operate certain statewide functions, such as state student aid programs.

State management of student aid programs

3. *States either through the coordinating agency or scholarship commission should take management responsibility for the operation of student aid programs and the related support programs.* This includes provision of information to students, processing of applications and protection of students against unscrupulous institutions.

Operation of student aid programs by coordinating agency

4. *In general, it may be preferable to operate student aid programs out of the state coordinating agency to insure that funds are being coordinated as well as possible for reaching state goals.*

5. *In some governing board states, it would appear that a separate student aid*

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[7] J. Kent Caruthers, Richard M. Millard and John Folger, *Trends in State-Level Postsecondary Education Coordination: Report of a Survey of Chief Executive Officers of State-Level Postsecondary Education Agencies* (Boulder, Colo.: National Center for Higher Education Management Systems-Education Commission of the States, 1980), Table 1, p. 3.

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Objectivity in student aid management

commission might be the best resolution, because a governing board represents the interests of one sector of higher education in the state. Student aid is most effective if it allows a student to choose freely among institutions and among sectors. Thus if an aid program is viewed as benefiting one sector at the expense of the others, much of the support for the program could be lost.

State agency and institutional cooperation

6. *To the degree that states need more information for improved state administration, it is necessary for state agencies to work with institutions to insure that there is appropriate understanding on both sides of the views and needs of the other.*

Resistance to increased direct management

7. *Any pressure on states by legislators to increase direct management of higher education in the state in order to control costs should be resisted.*

VI. Financing and Budgeting in Higher Education

A. Introduction

Alternate predictions for higher education

Although difficult times are predicted for higher education, a small number of economists, social scientists and educators disagree and describe the 1980s as potentially being one of the best decades in higher education. According to the pessimistic point of view, public colleges and especially independent ones will have great difficulty obtaining the combination of state appropriations, federal grants, private gifts and tuition that will keep up with their increased operating costs. Because opportunities to cut costs in ways that do not reduce quality will be limited, this decade will be a stringent one financially.

The alternative scenario is more optimistic. State appropriations could continue to rise at or above the inflation rate. With level or slightly declining enrollments, resources would be available not only to offset the effects of inflation but also to provide for some qualitative improvements. Tuition and federal funds for research and student aid could also continue to expand at or slightly above inflation rates. These latter sources could provide overall increases in revenues for higher education that could equal or exceed three percent annually per student, which is similar to the long-term trend in increased support per student for higher education.[1] In fact, the actual experience of the last several years resembles the optimistic theory more than the pessimistic one.

1. *The Pessimistic Scenario*

The pessimistic view

From the pessimistic point of view, enrollments will decline and since a majority of funding is based on enrollment, funds also will go down. This effect will be especially noticeable in tuition-dependent independent institutions. Weaker public and legislative support for higher education will inevitably affect the state appropriations for higher education. Although state appropriations have kept up with or exceeded enrollment growth and inflation during most of the past decade, from 1968 to 1977 education and general revenues — the total funds from state, federal, tuition and general sources — did not quite keep up with the growth in enrollment and the effect of inflation.[2] A few states have provided appropriations that are smaller than the rate of inflation in the last half of the 1970s, suggesting that the principle of lowered esteem/lowered appropriations applies in some states now and may apply in others in the coming decade.

Further evidence for the pessimistic attitude is the fact that tax and spending limits have been enacted in a few states and are under consideration in others. Taxpayer relief is likely to be a higher priority in most states than greater funding for higher education. Competition for public funds for health, social welfare programs, crime control, growing public retirement programs and economic development will continue in the 1980s. Higher education, which is one of the principal discretionary items in most state budgets, is particularly vulnerable to reduced appropriations in times of recession because nondiscretionary costs like unemployment benefits and welfare payments rise. Since the economy may undergo one or two recessions in the coming decade, this will augment the preceding unfavorable factors.

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[1] June A. O'Neill and Daniel Sullivan, *Sources of Funds to Colleges and Universities* (Berkeley, Calif.: Carnegie Commission on Higher Education, 1973).

[2] Calculated from data in National Center for Education Statistics, *The Condition of Education*, 1978 (Washington, D.C.: Government Printing Office, 1978). Inflation is measured by the Consumer Price Index.

2. *The Optimistic Scenario*

The optimistic view

State and local revenues are still growing rapidly and will grow during the 1980s as a result of the combination of inflation and some real growth in the economy. This will be true in most states even if a few enact tax cuts or spending limits that slow growth of state revenues. While the prospects for tax cuts are unclear, a number of states have enacted limits that will keep revenues and economic growth in step. The long-term upward trend in government expenditures as a percentage of the gross national product has probably ended, but it seems reasonable to project public revenues as a steady percentage of the economy.

a. *Share of revenues for higher education may hold.* Higher education's share of state revenues has stopped rising and has declined a little in some states. However, the inertia and incrementalism of budgeting suggest that the share of revenues for higher education is likely to remain fairly steady, except in periods of fiscal crisis.[3] From 1976 to 1980 state appropriations for higher education grew about 2 to 3 percent a year more rapidly than the combination of enrollment growth and inflation. This suggests that on the average colleges and universities are holding their own in the competition for funds. However, there is considerable variation around the average, with some states falling 5 to 10 percent behind the inflation rate of the last two years and others running 10 to 15 percent above the inflation rate in the same period.[4]

If the appropriations trends of the past five years continue during an anticipated decade of stable or declining enrollment, there will be some additional appropriations on a constant dollar basis per student in most states.

b. *Students' share of costs perhaps not a deterrent.* Family income and federal and state student aid funds have risen more rapidly in the last five years than costs of college attendance. Projections for this decade indicate that there may be modest increases for low- and middle-income youth. Colleges in the 1980s will be able to increase tuition revenues at least to equal, and possibly exceed, the rate of inflation. Will parents and students be willing to pay these higher prices for attendance? The question of willingness to pay is addressed primarily to the middle class, because student aid funds are sufficient to pay a large part of the costs for youth from families with less than $12,000 income. For youth from families with more than $30-35,000, there are usually sufficient resources to make cost a less important consideration.[5] For students in all income categories the availability of low-interest loans makes it possible to defer the costs.

Participation rates for middle-income white males declined in the 1970s, but they rose for middle-income white females. They declined more for upper-income than middle-income white males, suggesting that the end of the draft and other factors may be more important than rising costs in explaining changes in rates of attendance.

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[3] Larry Leslie, "The Financial Prospects for Higher Education in the 1980s," *Journal of Higher Education*, vol. 51, no. 1, (January-February 1980), pp. 6-7.

[4] M. M. Chambers, "Appropriations to Universities Outrace Inflation in 41 States," *Chronicle of Higher Education*, Oct. 9, 1979, p. 1.

[5] John Folger, "Prospects for Higher Education Finance in the Next Decade," *Journal of Education Finance*, vol. 3, no. 2 (Fall 1977), pp. 187-198.

B. Possibilities for Either Pessimism or Optimism

In the next ten years, depending on the state and the kind of institution, the actual developments could be either better than the optimistic theory or worse than the pessimistic one.

1. *States With a Pessimistic Future*

Decline in Northeast and Midwest

The older industrial states of the Northeast and Midwest will have substantial losses of college age population. Their institutions already enroll more than a third of all college students, and more than half of all the students in independent colleges are located in these states. Substantial percentages of their institutions will experience major enrollment declines. These are also states that with only two or three exceptions have had high taxes, below average economic growth in the last decade and pressure to control taxes and spending. Eight of the 10 states with the smallest increases in appropriations for higher education from 1970 to 1980 are in the Northeast and Midwest. These are also states with high tuition and other costs. So even though most of these states have large student aid programs, they will have strong pressures not to raise tuition very rapidly. For these states and for many institutions in them, there is little cause for optimism. Their problems tend to be generalized to the nation as a whole by the national media (television, magazines, the national newspapers) that are concentrated in the Northeast and get their examples there.

2. *States With an Optimistic Future*

More optimistic enrollment prospects in Southeast and Southwest

In contrast, the sunbelt states in the Southeast and Southwest have generally more optimistic enrollment prospects. All of the states that are projected to have only minor decreases or have increases in the college age population between 1980 and 1990 are in the West except Florida. In addition, 6 of the 10 states with the largest increases in appropriations between 1970 and 1980 are located in the Southeast; 2 more are located in the West. Most of these states have relatively low tuition and a relatively small independent sector. Several western states with otherwise optimistic prospects (Colorado, Arizona) could be negatively affected by tax and spending limits. For many of the states in these regions, as well as a few in other regions, the more optimistic scenario seems to be achievable during this decade.

For the states of the Southeast and Southwest the demographic, economic and tax prospects are generally more favorable than the average. However, not all of these states and not all of the institutions within them are likely to be able to translate those possibilities into adequate support in the 1980s. States with similar educational and economic conditions now provide different levels of support. Some of those differences are likely to continue and may actually get larger. Because the influences that cause substantial differences in effort to support higher education are complex, very few generalizations about the factors that affect levels of support or effort fit all states.

No correlation has been found between the kind of statewide agency and the level of support, although analysts do conclude that major state universities obtained smaller increases than state colleges on a per student basis.[6] On a constant dollar basis per student, major state universities actually lost ground

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[6] The Carnegie Foundation for the Advancement of Teaching, *The States and Higher Education: A Proud Past and a Vital Future* (San Francisco: Jossey-Bass Publishers, 1976).

Differences in support among states

between 1970-75 while state colleges and community colleges gained slightly.[7] Differences in trends of support among the types of institutions were, however, considerably smaller than differences among states in the level and trends of support. Data by Froomkin and McCully (see Table IV) indicate that institutions with declining enrollment have much sharper increases in per student costs than institutions with increasing enrollment. They also indicate that public institutions with declining enrollment in 1970-75 did not have to decrease their total expenditures but instead got increases. For these institutions, the incremental budgeting principle was dominant. It is not clear whether the politics of budget allocation will work the same way in the 1980s, when probably 40 to 60 percent of all public institutions — and as many as 75-85 percent of all independent institutions — will lose more than 10 percent of their enrollment.

Table IV
Relation of Enrollment Change to Increase in Per Student Instructional Expenditures in Higher Education
1971-75

Category of Enrollment Change		Percent of Public or Independent Institutions in Each Growth Category	Average Percent Change in Enrollment 1971-75	Percent Increase in Per Student Instructional Expenditures 1971-75	Percent Increase in Tuition 1971-75
Growth of FTE Enrollment 1970-75	Public	74	23	30	26
	Independent	52	18	27	30
Less than 10 percent decline in FTE Enrollment 1970-75	Public	12	−4	44	38
	Independent	16	−5	35	38
More than 10 percent in FTE Enrollment 1970-75	Public	14	−21	57	39
	Independent	32	−25	48	45

Source: John Folger, "Prospects for Higher Education Finance in the Next Decade," *Journal of Education Finance*, vol. 3, no. 2 (Fall 1977); data from Joseph Froomkin and D. McCully, "A Review of Financial Developments in Higher Education, 1970/71 — 1974/75, and a Prognosis for 1980-85" (Washington, D.C.: Joseph Froomkin, Inc., February 1977).

A prescription cannot be written to assure that the optimistic theory will be realized in all states and in all sectors and institutions. However, an examination of the current status of state budgeting practices and procedures, and of the roles of state higher education agencies in the budget process, may identify changes that seem to be effective in some states in obtaining more adequate funding.

C. State Budgeting Trends and Issues

State control and influence through budget

The budget has always been the primary instrument of state control and influence on postsecondary education. The governmental budget serves three principal purposes: "it controls spending, it enables management of activities and it determines objectives."[8] Caruthers and Orwig point out that the central emphases in budgeting have shifted as the state's policy interests change. Incremental, object of expenditure budgets were the dominant type of state budgets up to about two decades ago. These were designed to control spending but were not very useful in supporting specific program and policy objectives.

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[7] Joseph Froomkin and D. McCully, "A Review of Financial Developments in Higher Education, 1970/71 — 1974/75, and a Prognosis for 1980-85" (Washington, D.C.: Joseph Froomkin, Inc., February 1977).

[8] J. Kent Caruthers and Melvin Orwig, *Budgeting in Higher Education*, ERIC/Higher Education Research Report No. 3 (Washington, D.C.: The American Association for Higher Education, 1979), p. 25.

Incremental budgeting

In the 1960s more states began to develop objective criteria that allowed them to relate appropriations to enrollments and other indices of activity to achieve more equity. This development is called "formula budgeting" and in the early 1970s at least half of the states had some form of formula budgeting.[9] Formulas are used in most states as guides in developing the budget, rather than as rigid determinants of budgeted amounts. They typically cover no more than half to three-fourths of the appropriations request. While formulas are used to determine the appropriation needed, they are not used in most states as a means of determining how the appropriated funds will actually be budgeted and spent. As developed in the 1960s and 1970s, formulas were primarily designed to deal with the equity of allocations to the various public universities and to determine a base funding level needed by all institutions.[10] Even in states that do not have a higher education budget "formula," various objective indices are used in constructing and/or evaluating the budget.

Formula budgeting

1. *New Budget Systems*

New budget systems

During the 1960s and early 1970s a number of states also attempted to link planning and budgeting more closely and to develop budgets that were based on goals and objectives. The purpose in these budget reforms was to have the budget reflect state program and policy objectives. These new budget systems had various names. One was Planning, Programming and Budgeting (PPB) and a later reform with similar objectives was called Zero Based Budgeting (ZBB). Another approach to budgeting that had been tried, first in the 1950s and again in the 1970s, was to base some budget allocations on performance criteria.[11] Wildavsky has been very critical of the PPB related "reforms," which he believes have failed to change the basically political nature of budget decision making.[12]

Glenny and his colleages studied the processes of state budgeting for higher education in detail in 17 states and analyzed them from both a technical and a

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[9] See Francis Gross, "A Comparative Analysis of the Existing Budget Formulas Used for Justifying Budget Requests or Allocating Funds for the Operating Expenses of State-Supported Colleges and Universities," Monograph No. 9 (Knoxville, Tenn.: University of Tennessee, Office of Institutional Research, December 1973) and Richard Meisinger, *State Budgeting for Higher Education: The Uses of Formulas* (Berkeley, Calif.: Center for Research and Development in Higher Education, University of California, 1976).

[10] David S. Spence, "Budgeting of Postsecondary Education in the Eighties," *Financing Higher Education*, no. 28 (Atlanta: Southern Regional Education Board, 1978).

[11] These efforts are described by Caruthers and Orwig, pp. 35-59, and by Marvin W. Peterson, Michael Erwin and Richard Wilson, "State-level Performance Budgeting," in *Increasing the Public Accountability of Higher Education*, New Directions for Institutional Research, no. 16, ed. John K. Folger (San Francisco: Jossey-Bass Publishers, Winter 1977), p. 134. Caruthers and Orwig provide a comprehensive review and analysis of budgeting approaches and purposes and their strengths and weaknesses.

[12] Aaron Wildavsky, *Budgeting, A Comparative Theory of Budgetary Processes* (Boston: Little Brown, 1975).

Diversity of state budgeting

political point of view.[13] While there are basic common elements to state budgeting, a great deal of diversity occurs across the 50 states in the controls exercised by the state through the budget. It varies in the extent to which the budget is the dominant instrument of state policy making in higher education, in the amount of decentralization of budget management, in the emphasis on formulas and other objective guidelines in developing the budget, and in the amount of linkage of the budget to planning and evaluation. Although states develop detailed procedures for reviewing budget requests according to objective criteria, the final decision process is basically a political negotiation. The objective and detailed justifications for the budget — whether "formula," "PPB," "ZBB" or some other acronym — may shape the decision process and focus it, but technical factors do not supplant legislative judgment.

2. *Skepticism About New Budget Systems*

Skepticism about new budget systems

Students of budget processes have been skeptical about the impact of these new "systems."[14] These systems are frequently abridged or ignored during recession periods or, at times, after political changes in decision-making responsibility. Since recessions and political turnover occur rather frequently, budget systems lack the stability needed to have a lasting impact on the policy and program objectives of the state. For example, when a recession cuts state revenues, higher education budgets may receive a simple across the board percentage cut, without reference to the analysis and budget justification that has gone into the preparation of the budget requests.

The budget can be a means for communication among the governor, legislature and each of the publically funded agencies, including higher education. The formulas, guidelines, budget systems and budget instructions provide the outline for the discussion and political negotiation about the resource needs and the equity of resource allocation. Frequent changes in the budget system, budget guidelines and formula factors, which have occurred in some states, generally weaken communication and may increase considerations of political power in budget decisions at the expense of more objective factors. Therefore whatever system is in use, it needs a reasonable amount of political and economic stability to be effective.

3. *Possible Changes in Budget Processes*

Possible changes in budget processes

Despite the skepticism about new systems, several changes in budget processes may occur in the next few years. Public colleges and universities want to change budget formulas and budget criteria to lessen the weight given to enrollment in determining appropriations, because a majority of public institutions will probably lose some enrollment in the coming decade. They want to cushion the loss of revenue, since costs do not go down proportionately with enrollment losses. Several approaches are currently being tried.

Modifications to deal with enrollment decline

a. *Modifications to deal with enrollment decline.* There is public interest in reducing whatever fiscal pressure is built into the budget for institutions to compete for students. States have used several approaches to reduce the importance of enrollment in budget allocation. First, some states have developed fixed and variable cost, or marginal cost, rather than average cost funding formulas. Thus, the addition or loss of a student only adds or subtracts part of the average cost per student. Second, states have appropriated funds for a target enrollment level at each institution — for example, 5,000 students. If the actual enrollment is within 200 students plus or minus of the budgeted level, then no adjustment is made in the institution's budget. This approach is also called a "corridor" concept, as the corridor can be set at a percentage or numerical width and can be wide or small. A third approach is to use the average enrollment level for the previous three years as the "target" for funding. When an institution is declining, a three-year average will cushion the decline; if an institution is growing, the budget will increase more slowly.

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[13] Lyman A. Glenny, *State Budgeting for Higher Education: Interagency Conflict and Consensus* (Berkeley, Calif.: Center for Research and Development in Higher Education, University of California, 1976); Lyman A. Glenny et al., *State Budgeting for Higher Education: Data Digest* (Berkeley, Calif.: Center for Research and Development in Higher Education, University of California, 1975).

[14] Wildavsky, *Budgeting, A Comparative Theory of Budgetary Processes.*

Problems of marginal or fixed and variable costs

One of the problems with the approach of marginal cost or fixed and variable cost is the greater complexity of this kind of budgeting in protecting institution budgets from the impact of declining enrollment. Allen and Topping comment on this:

> One of the perennial dilemmas in developing funding formulas is the trade off that must be made between accuracy and simplicity. For formulas to be acceptable, they must be a reasonably accurate reflection of reality. Many formulas take into account legitimate differences among institutions . . . but the more accurately a formula represents a complex enterprise, the more complex it becomes. This violates the political requirement that formulas be easily understood. . . . The new formulas (to deal with declining enrollments) adopted in the states we have studied are thus a great deal more complex than the formula they replaced.[15]

Funding for qualitative improvement

b. *Procedures for qualitative improvement.* Another change in budget procedures in several states is the search for a better way to fund qualitative improvement in higher education. If enrollment is not increasing, it should be possible to provide some resources for improvement of quality. Attempts to communicate qualitative possibilities to legislatures have occurred in several states including Tennessee and Florida.

Tennessee "performance" formula

- The Tennessee Higher Education Commission has had a multiyear project in an effort to develop a basis in its formulas for funding qualitative criteria of performance.[16] The Tennessee Commission has included a "performance" formula in the 1980 budget request. The request for about two percent of the appropriation is for different qualitative criteria including accreditation of professional programs, scores of students on standardized examinations and percentage of graduates who pass licensing examinations. Even though only a small part of the budget will be based on these indices of quality, the "performance" formula will provide an incentive for institutions to be more concerned about qualitative factors.

Florida "programs of emphasis"

- The Florida Board of Regents has provided another approach to qualitative improvement. It identified areas of the university system that need qualitative improvement (libraries, teaching and research equipment) and also identified a limited number of "programs of emphasis" that should receive special funding to enable them to gain national distinction. The concept of "programs of emphasis" is similar to several other states' programs that have identified a limited number of areas that would get special funding.[17]

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[15] Richard Allen and James Topping, eds., *Cost Information and Formula Funding: New Approaches* (Boulder, Colo.: National Center for Higher Education Management Systems, 1979), p. 66.

[16] Grady Bogue and William Troutt, *Allocation of State Funds on a Performance Criteria, The Performance Funding Project* (Nashville, Tenn.: Tennessee Higher Education Commission, 1980).

Endowments for qualitative improvement

c. *Endowments for qualitative improvement.* Building up the quality of a department or school in a university is a lengthy process, especially if quality is defined in traditional terms of the graduate teaching and the research reputation of the faculty. Special funding for qualitative improvement has to be continued for a number of years to be effective. Thus a new Florida program, which provides incentive funds for private giving to public institutions' endowments, has the promise of long-term support for some specific qualitative objectives. In this program each public university gets an appropriation for an endowment fund, which must be matched from increases in gifts from private sources. Institutions that are successful in matching the state-incentive appropriation can use the endowment fund for a variety of institutionally determined objectives for qualitative improvement. If the endowments can be invested in ways that keep up with inflation, this is a very promising approach to funding qualitative improvement on a long-term basis.

Regardless of the approach, all of the qualitative funding arrangements discussed depend on adequate basic funding to enable institutions to keep up with the effects of inflation and to keep the funding from declining as fast as the drop in enrollment in institutions that are losing enrollment.

D. State Agency Role in the Budget Process

The state legislature, the governor and the state higher education agency or agencies all have a role in the budget process in a majority of states, but the relative influence of each varies considerably from state to state. During the 1950s and 1960s nearly all states developed executive budget systems. The trend was toward presentation of a comprehensive budget to the legislature, with the governor's determination of the state's priorities reflected in the budget. The late 1960s and the 1970s have seen an increase in legislative involvement in the budget process. Glenny in his studies of budgeting documented the increase in legislative budget staff in the 17 states he visited and hypothesized that the increased role of the legislature would reduce the budget role of state higher education agencies.[18]

Increased legislative involvement in budget process

One state, Colorado, was an example of this process. The Colorado Legislature, through its joint budget committee, developed a budget independently of the executive budget. The legislature viewed the Colorado Commission on Higher Education as an adjunct of the Governor's Budget Office and decided that it was no longer necessary for the commission to play any role in the budget process. The legislature implemented that decision by eliminating half the positions of the commission because the commission had been spending about half its time in budget analysis. The commission, caught in a conflict between the governor and legislature over their respective roles in the budget process, was the temporary loser. Subsequently, the commission regained a modified policy role in the budget process.

In states where there is an active conflict between the legislative and executive branch about the budget process, the state higher education agency is in a vulnerable position and may have its role reduced or may never receive any meaningful budget role. Glenny suggested that state higher education agencies should deemphasize routine budget reviews in the future, as the legislature took on more staff and a larger role in budget development. The state higher education agencies, which are usually executive and legislative creatures, would be in a very weak position to compete with the legislature or governor to perform the budget analysis and development. The budget role should focus on policy issues and on linkage of program review to budget recommendation.[19]

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[17] Roy McTarnaghan, "State Financing of Quality Improvement; A Reassessment of Florida's University System," paper delivered at the American Association for Higher Education National Conference on Higher Education, Washington, D.C., March 6, 1980.

[18] Glenny, *State Budgeting for Higher Education: Interagency Conflict and Consensus.*

Complementary budget review function for state agencies

The state higher education agencies have, however, attempted to continue and in some cases strengthen their budget role. The budget is such a central instrument of state policy that higher education agencies not involved in the budget process are likely to find their plans ignored and their opportunity reduced to shape state policy in higher education. Therefore, the 1980s are likely to find the higher education agencies seeking a budget review function that is complementary with, rather than competitive with, the role of legislatures and the executive budget process. Some possibilities for a complementary role will be suggested at the end of the chapter, but a review of the current budgetary role of the statewide agencies will provide some perspective on possible future directions.

E. Current Budget Roles of State Agencies

Variation of budget role among states

The budget role of state higher education agencies varies widely from state to state. At one extreme are states like Oklahoma and Georgia where a consolidated appropriations request is submitted for all public institutions and a lump sum appropriation is made to the board. At the other end of the continuum are about 10 states where the state agency has no meaningful role in the budget process.

1. *Survey of State Higher Education Agency Activities*

Survey of state agency activities

A survey of state higher education agency activities was made by the Education Commission of the States and the National Center for Higher Education Management Systems in 1979, asking each state agency what percentage of staff time was spent on various activities such as planning, academic program review, budget analysis and program management. States reported a wide range of time spent on budget analysis from none to over half of the agency's total activity. On the average, both regulatory coordinating boards and governing boards spend about a fourth of their time on budget review, and this is the primary activity in terms of time spent for both these types of agencies (see Table V, p. 76). Advisory coordinating boards spend much less time on the budget function (about 12 percent on the average). When asked how various groups would like to have them spend their time, governing board heads, and to a lesser extent regulatory coordinating board heads, reported that the governor and legislature would like to have them spend *more* time on the budget function. This does not indicate that the state agencies' leaders think their budget role is being reduced by the legislature or governor.[20]

Ratings of state agency roles by executive officers

a. *Importance of various state roles.* Members of the State Higher Education Executive Officers (SHEEO) were asked how they rated the importance of various state agency roles: advocate for higher education, regulator of higher

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[19] Glenny, pp. 143-145.

[20] J. Kent Caruthers, Richard M. Millard and John Folger, *Trends in State-Level Postsecondary Education Coordination: Report of a Survey of Chief Executive Officers of State-Level Postsecondary Education Agencies* (Boulder, Colo.: National Center for Higher Education Management Systems-Education Commission of the States, 1980).

Table V
Percentage of State-Level Postsecondary Education Agency Staff Time Devoted to Budget Analysis

Type of Agency	Percent of Time Spent	How much time would each of the following like you to spend?			
		Agency Head	Agency Board	Governor	Legislature
Governing Board	28	27	34	41	41
Regulatory Coordinating Board	25	24	20	28	31
Advisory Coordinating Board	12	14	10	16	16

Source: J. Kent Caruthers, Richard M. Millard and John Folger, *Trends in State-Level Postsecondary Education Coordination: Report of a Survey of Chief Executive Officers of State-Level Postsecondary Education Agencies* **(Boulder, Colo.: National Center for Higher Education Management Systems-Education Commission of the States, 1980). Responses were received from 42 of 48 state-level agencies surveyed.**

education, broker between higher education and state government or as an evaluator of institutional performance. Most chief executives for both governing and regulatory coordinating boards saw their role as an advocate of higher education as their most important role; coordinating boards (but not governing boards) also saw their role as broker between the state government and institutions as very important. Evaluation of institutional performance was also rated an important role by the governing boards and regulatory coordinating boards.

Tension between advocacy and evaluation

b. *Tension between roles of advocate and evaluation.* The state agencies with a budget function view themselves as both institution advocates and evaluators of institutional performance. While advocacy can occur in a variety of ways, budget advocacy is one of the major types. There is some tension between the advocate role and the evaluation role, particularly if the evaluations are an integral part of the budget process. This tension may become more evident in the coming decade if the state agency takes on a greater function in evaluation of institutional performance as a part of its role in budget analysis.

2. *A Viable Role for State Agencies*

Viable role for state agencies:

As legislative fiscal staffs grow and take on a more prominent role in the budget process, what is a viable role for the state higher education agency? How can it be complementary rather than redundant of the budget roles of the executive and legislature? Three possibilities are suggested:

Policy issue role

a. *The policy issue role.* In states with a large and competent legislative and executive budget staff, the state agency can conduct special studies and analyses of budget issues rather than carry out any of the routine budget reviews. The California Postsecondary Commission provides a good example of this type of budget role. The California executive and legislative branches have large professional staffs and a formalized budget process that does not include the postsecondary agency. However, because they need competent analysis of special issues, such as the adequacy of state student aid in relation to tuition policy, the commission can perform those analyses for them. A variation on this role has the state higher education agency review the budget for conformity to master plan objectives and the role and mission allocation for each institution. In a number of states with strong executive and legislative budget staff, the conduct of special analyses and determination of the conformity of budget requests to state goals and policies may emerge as the complementary budget role for the state agency.

Program evaluation role

b. *The program evaluation role.* State higher education agencies are being asked to assume more responsibility for eliminating duplicative programs, establishing accountability procedures and setting objectives for management efficiency. State agencies may have a budget role in linking these various evaluative activities to the budget process. In some cases this will involve the introduction of criteria into the budget process that will reflect the qualitative aspects of higher education programs. In other instances it may involve the SHEEO agency in a review and comment about the relation of budget requests to the information about quality. While some legislatures have involved themselves directly in qualitative evaluations of higher education, most have felt that legislative involvement in programmatic judgments about quality was inappropriate and likely to be ineffective. They have wanted this type of evaluation conducted by professionals in higher education. If more states move away from budget formulas based on enrollments and other objective factors and move to program budgets related to quality and effectiveness, the state higher education agency may have the primary role in making those qualitative judgments.

Budget advocate and formula analysis role

c. *The budget advocate and formula analysis role.* In a few states where the legislative and executive budget staffs are small and where the state higher education agency has both credibility and expertise, the agency may perform much of the budget analysis and review within the general budgetary framework established by the governor and legislature. The laws establishing a number of the statewide coordinating boards gave them responsibilities of this type. Several of the SHEEO agencies have approached their budget responsibilities by conducting a conventional budget analysis based on the formula and other guidelines and by presenting and advocating a budget to both governor and legislature. In some states the SHEEO agency is responsible by law for developing and suggesting formula or other budget guidelines for budget analysis. This is the role that Glenny has said is most likely to be taken over by either executive budget staff or legislative fiscal staff.

State higher education agencies can, and some do, perform all of the functions of special fiscal policy analyses, of evaluations of institutional performance, of formula budget analysis and of advocacy. Governing boards and a few coordinating boards are charged by law with the advocacy role that is the development and presentation to both governor and legislature of a strong case for the funding needs of the institutions under their jurisdiction. Until and unless their law is changed, they will continue to emphasize this budget function. The more effective boards also will work with the executive budget staff and with the legislative fiscal staff to insure their budget presentations are credible and will deal with funding issues that the legislature and governor think are important. State agencies also can play an important role in developing accurate and comparable information systems to provide data needed for budget analysis. For example, when funding for improvement of quality is requested, the legislative and executive branches need information about quality. The state agency will need to develop methods of informing other state decision makers about the current level of quality and about ways of funding requests to reflect qualitative dimensions.

Development of information systems role

Complementary role to legislative and executive budget staff

For most coordinating boards, it seems likely that their future budget role will need to give more emphasis to a role complementary to that of the legislature and executive budget staff. There is much sentiment for reducing the amount of budget review by multiple agencies. Since the legislature and governor are usually charged by law to review budgets, the SHEEO agency needs to develop a different role or to conduct its reviews as part of the executive budget or legislative reviews. The higher education agency has, or should have, the most expertise to contribute to analysis of qualitative issues and role and mission issues and to evaluate the consistency of budget requests with long-range plans and objectives. State higher education agencies that emphasize a more specialized budget role focused on issues of quality assessment are likely to find they have more difficulty in playing the advocate role.

F. Relationship of Budget and Finance to the Major Issues of Postsecondary Education

Budget and finance will be related to many of the issues of postsecondary education that will arise in most states in the next few years. Therefore, the final discussion of this chapter is pertinent to the previous chapters and summarizes many of the major implications of planning, evaluation and appraisal, program review and state management functions in higher education in the 1980s.

1. *Allocation of Resources*

Allocation of resources

An issue of almost equal importance to the question of adequacy of support discussed at the beginning of this chapter concerns the extent to which states should follow the federal pattern by making more funds directly available to students, rather than continuing the historic pattern of providing most of their support directly to institutions. However, to what extent can the "market strategy" lead to effective allocation of resources to institutions and to what extent does it lead to erosion of quality and wasteful duplication?[21] There are several important secondary issues involved in the question of how resources ought to be allocated. They concern the extent of the state's responsibility for insuring the continuation of independent higher education and the responsibility of various groups of students, such as adult students or part-time students, to provide more of the support for their education.

The issue of allocation of resources, which was debated at length during the 1970s, will continue as a key one in the 1980s. The federal government decided in the early 1970s that most of its support should go to students (and in research to individual professors) rather than to institutions. States by contrast have always provided most of their support to public institutions. In the last decade many of the states with large independent institutional enrollment (New York, Pennsylvania, Illinois for example) have developed large programs of student aid. In some cases they have provided direct aid to independent institutions as a means of insuring the continuation of independent higher education.

Increased public tuition in some states

In the process, many of these states have raised public tuition. Their public institutions now get a larger share of their funds from students, although they still get the largest percentage from state appropriations. The various states have a mixed strategy of funding, relying partly on income from students and partly on appropriations to institutions. As a result, the students' share for undergraduates varies from almost nothing in a few public community college systems to about half of undergraduate instruction costs in Vermont and New Hampshire. Those states with low public tuition are now under some pressure to increase their tuition. Because both federal and state student aid funds have increased very rapidly, low-income students can still attend even with higher tuition.

a. *No market model adopted.* No state has adopted a complete market model for funding its public institutions despite urging for such action from some economists and from some representatives of the independent sector. A "market type" funding model can be devised that will give more emphasis to student choice but would still provide state appropriations for public institutions. However, it could also provide that most of these appropriations be in the form of a fixed amount for each citizen enrolled or graduated. These amounts, or "entitlements," would resemble the grants provided by New York to independent institutions for each degree awarded or the tuition equalization grants awarded in a number of states for students enrolled in the independent sector. Such a funding model also would be similar to the full-time equivalent enrollment model for funding the community colleges in some states. This approach would not be consistent with the interest of public institutions in making appropriations less sensitive to enrollment but would have the opposite effect of making them more sensitive.

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[21] Caruthers and Orwing, *Budgeting in Higher Education*, p. 62.

b. *Reliance on student tuition.* One of the arguments for more reliance on student tuition as a means of funding postsecondary education is that it reduces the need for centralized budget controls and allows institutions to manage their own resources in a way that will provide optimum institutional service to students. However, it also makes institutions more vulnerable to large enrollment declines, since a large percentage of their revenue is dependent on the level of student enrollment. Reliance on student tuition also can encourage wasteful duplication of programs among both public and independent institutions. As they compete for more students, more institutions than necessary might provide weak or marginal programs, simply because the programs are in fields that are popular with students. Therefore a policy of maximizing market forces may have the unintended consequences of increasing uneconomical duplication and of making programs easier so that students may be more easily attracted to them. Increased reliance on competitive forces to allocate resources has problems as well as advantages.

Reliance on student tuition and appropriations

Probably most of the states with an independent sector large enough to exert any political influence will develop a larger program of state student aid. They also will most likely raise public tuition toward the level of the northeastern states to take advantage of federal and state student aid programs. This will continue to be an important policy issues in most states in the 1980s. At the end of the decade there will still be reliance on both student tuition income and appropriations in every state, although the share of institution revenue from tuition will probably increase in a number of states.

Development of program and management accountability

2. *Development of Effective Program and Management Accountability*
Higher education may have to develop an effective program and management accountability process in order to obtain more adequate state appropriations. In a number of states the governor and legislature, having lost confidence in the traditional budgetary appeals from institutions, are asking for new assurances about the kind of job that higher education is doing. In these states the establishment of better communications about what is being accomplished may be a prerequisite to more adequate support. In the past there has been a tendency for states to impose centralized budget controls over agencies or institutions that were thought to be doing an inefficient or inadequate job of managing their own affairs. Detailed state budget controls weaken institutional responsibility for management. They generally have been relatively ineffective in promoting either efficiency or effectiveness. Therefore states have begun to look for other approaches for the assurance of effective management.

a. *Accountability without increased controls.* There is evidence that detailed state-level management procedures and increased state regulation are likely to be counterproductive. Instead of bringing about better management, they

Accountability without increased management controls

impose uniformity on diverse institutions and may inhibit needed institutional responsiveness. The increasing recognition of the difficulty of managing diverse and complex activities centrally has led to proposals for accountability without increased management controls. If there is agreement on the program objectives in the budget and if acceptable criteria of program accomplishments have been defined, institutions can be evaluated against those criteria and can be allowed to manage themselves. When the accountability system is tied directly to the budget process, it can be a means of communicating about budget needs without centralized management. The concept of accountability without centralized regulations has not been fully implemented in any state, and this will be one of the emerging issues in the 1980s.

b. *An underlying issue.* A major underlying issue is the basis on which the fiscal needs of higher education will be communicated and justified. Traditional appeals to serve more students will not be effective in most instances. If the appeal instead is based on the need to improve quality, then some tangible evidence of quality will be required and some credible means of determining and assessing quality will be a prerequisite to more adequate support. In many states this issue will be a difficult one to deal with because of the rapid turnover of both political and educational leadership;

Institutional approaches:

3. *Institutional Approaches to Funding*

Another issue will be the basis on which institutions justify funding when enrollments are declining or not increasing. There are two major approaches.

Program budget

a. *Program budget approach.* The first is to use a program budget approach, funding specifically authorized programs at specific institutions with each program funded at a particular level over an enrollment range. Thus, if an institution were funded for a graduate program in business, the enrollment range might be between 50 and 100. No adjustment — other than the funding from tuition that varies directly with enrollment — would be made in the budget for enrollments within this range. This funding approach must be linked to a program review and justification process, either as a part of the budget process or closely related to it. It is likely to get state officials more closely involved in institutional program decisions than most institution officials think desirable.

Marginal cost

b. *Marginal cost approach.* The second approach is to incorporate a marginal cost approach to funding, basing budget requests on studies of the way costs actually vary with enrollment. Cost models that include realistic cost behavior are fairly complex, which makes the funding allocations difficult to communicate and may make justification of funding vulnerable. A variation on the fixed- and variable-cost approach would have tuition established at a level high enough to cover variable costs and would use the state appropriation to cover fixed costs. The state appropriation would be adjusted for inflation, but not for enrollment shifts. Although this approach has the advantage of simplicity, institution marginal costs depend on the number and size of programs as well as on several other factors. Therefore, each institution would need to have a different tuition level to cover its variable costs. There is much pressure to have similar tuitions for similar public institutions within a state so this approach could present problems if the variable costs were much larger at one public institution than another. Regardless of which approach is taken in funding for enrollment declines, there is likely to be more emphasis on qualitative issues and on institutional conformity to role and mission planning.

4. *Relation of Budget to State Policy and Planning*

A final fiscal issue that will be important in this decade is the relation of the budget to state policy and planning. As already indicated most state plans have not had much connection with the budget process. Interest is growing in a number of states in the control of program overlap and duplication and in the assignment of role and mission responsibilities to institutions to guide their future development. If the planning process is to be effective in promoting either efficiency or improvement of quality, it has to be linked to the budget process. Other state policies about the development of higher education, such as the provision of off-campus and continuing education opportunities, also have to be related to the budget for implementation. Several different approaches to linking budgets to planning have been tried, ranging from the development of longer range (three- to five-year) budgets to the review and comment on the budget by the state agency that is responsible for long-range postsecondary planning.

Linking budget to planning and state policy

The problems of linking planning and budgeting were illustrated in the early state experiences with planning, programming and budgeting systems. Despite the difficulties of combining the short-range political tradeoffs in budget decision making with the longer run perspective of planning, there is still a need to bring state policy and planning considerations to bear on budget decisions. States will be trying to find better ways of doing this during the coming decade.

G. Recommendations for Finance and Budget

Inflation will be a serious threat to the effective funding and operation of postsecondary education in this decade. States with spending limits that keep the growth of state spending below the rate of inflation will have a special problem. Even in other states without such limits, inflation may increase faster than state revenues, especially in a recession or depression. Although the funding prospects for postsecondary education in the 1980s are very uncertain, the stability and/or possible decline in enrollments in most states may provide the possibility of some funds for qualitative improvement in the coming decade. That possibility will become a reality only in those states that can develop a consensus about the definition of and goals for qualitative improvement.

1. *Since inflation probably will be the biggest threat to the effective funding and operation of postsecondary education in this decade, the states should develop budget procedures and budget adjustments that realistically reflect the marginal cost of enrollment fluctuations.*

Realistic budget procedures

2. *States that have not already done so should develop funding formulas and other procedures that take account of fixed costs that continue when enrollments decrease but that do not overly protect institutions from the operation of market influences (student choice).*

Funding formulas

3. *Where possible states should plan for and provide incentives for the achievement of qualitative improvement goals.* Funding for qualitative improvement should be directed toward specific objectives to maximize the likelihood of continuing political support. Funding must be provided on a continuing basis to be effective, since most qualitative improvement goals will take a number of years to achieve and sporadic funding will not be effective.

Qualitative improvement goals

4. *States with an independent sector should consider the funding mechanisms (student aid, tuition equalization grants, direct contracts) necessary to maintain a viable independent sector.* This does not mean that every independent institution should be assured that it can continue, but it should minimize the

Viable independent sector

disadvantage of the independent institutions with higher tuition in competing for students.

Complementary budget review function for state agencies

5. *State higher education agencies should seek a budget review function that is complementary with rather than redundant of or competitive with legislative and executive budget processes.* Among the budget functions that state agencies are uniquely qualified to perform are: (1) conduct special studies and analyses of budget issues and (2) review the budget for conformity to master plan objectives and role and mission allocations for each institution. In states where the higher education agency has both credibility and expertise, the agency can take a leading role in a broader budget review function, coordinating its review with that of the state budget office and legislature.

Elimination of detailed state-level management controls

6. *The states can help improve internal institutional management by eliminating detailed state-level management controls, which seldom promote institutional effectiveness. At the same time state procedures for accountability should be improved to provide public assurance that institutions are meeting reasonable standards of effectiveness.*

Integration of evaluation and planning with budget

7. *State coordinating and governing boards or agencies should assume the primary responsibility for linking evaluation and planning activities to the budget process.* An accountability system related to the budget process can be a means for communicating about budget needs without centralized management. This may involve introduction of criteria and elements into the budget process that reflect the qualitative aspects of postsecondary education programs or that include board or agency review and comment about the relation of budget requests to quality.

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